OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:)
)   Docket No.: R2006-1
POSTAL RATE AND FEE CHANGES   )

VOLUME #4

Date: August 7, 2006

Place: Washington, D.C.

Pages: 421 through 684

POSTAL RATE COMMISSION

In the Matter of:)
) Docket No.: R2006-1
POSTAL RATE AND FEE CHANGES   )

                              Suite 200
                              Postal Rate Commission
                              901 New York Avenue, N.W.
                              Washington, D.C.

                              Volume 4
                              Monday, August 7, 2006

         The above-entitled matter came on for hearing

pursuant to notice, at 9:30 a.m.

BEFORE:

         HON. GEORGE A. OMAS, CHAIRMAN
         HON. DAWN A. TISDALE, VICE-CHAIRMAN
         HON. TONY HAMMOND, COMMISSIONER
         HON. RUTH Y. GOLDWAY, COMMISSIONER

APPEARANCES:

On behalf of United States Postal Service:

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C O N T E N T S

WITNESSES APPEARING:
    HERBERT B. HUNTER, III   (Not Present)
    JOSEPH E. NASH   (Not Present)
    STEVEN M. SCHROEDER   (Not Present)
    JOHN P. KELLEY
    SUSAN W. BERKELEY
    THOMAS M. SCHERER   (Not Present)
    ABDULKADIR ABDIRAHMAN

E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
Corrected direct testimony of Herbert B. Hunter III on behalf of the United States Postal Service, USPS-T-2	427	427
Corrected direct testimony of Joseph E. Nash on behalf of the United States Postal Service, USPS-T-16	429	429
Corrected designated written cross-examination of Joseph E. Nash, USPS-T-16	429	429
Corrected direct testimony of Steven M. Schroeder on behalf of the United States Postal Service, USPS-T-29	435	435
Corrected direct testimony of John P. Kelley on behalf of the United States Postal Service, USPS-T-15	436	437
Corrected designated written cross-examination of John P. Kelley, USPS-T-15	438	438
Corrected direct testimony of Susan W. Berkeley on behalf of the United States Postal Service, USPS-T-34	456	458
Corrected designated written cross-examination of Susan W. Berkeley, USPS-T-34	458	458
Responses of Witness Berkeley to Carlson Interrogatories, DFC/USPS-T-34-1 through 6	479	479

E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
Corrected direct testimony of Thomas M. Scherer on behalf of the United States Postal Service, USPS-T-33	487	487
Corrected designated written cross-examination of Thomas M. Scherer, USPS-T-33	487	487
Corrected direct testimony of Abdulkadir Abdirahman on behalf of the United States Postal Service, USPS-T-22	510	511
Corrected designated written cross-examination of Abdulkadir Abdirahman, USPS-T-22	512	512

1   P R O C E E D I N G S

2   (9:30 a.m.)

3   CHAIRMAN OMAS: Good morning. Today we

4   continue hearings to receive testimony of the Postal

5   Service witnesses in support of Docket No. R2006-1,

6   Request for Rate and Fee Changes.

7   Does anyone have any procedural matters to

8   discuss before we continue today?

9   (No response.)

10   CHAIRMAN OMAS: Seven witnesses are

11   scheduled to appear today. They are Witnesses Hunter,

12   Nash, Schroeder, Kelley, Berkeley, Scherer and

13   Abdirahman.

14   There have been no requests to cross-examine

15   a number of these witnesses, and being consistent with

16   our practice we will allow counsel to present their

17   testimony and written cross-examination accompanied by

18   certification of authority. This saves time and money

19   for everyone.

20   Mr. Hollies? Our first scheduled witness is

21   Herbert Hunter. There have been no requests for oral

22   cross-examination of Mr. Hunter, so you may proceed to

23   move for admission of his testimony into the

24   evidentiary record.

25   MR. HOLLIES: Thank you, Mr. Chairman.

1   The Postal Service moves that the testimony

2   of Herbert B. Hunter III be admitted as evidence in

3   this proceeding.

4   Moreover, I have two copies prepared to

5   provide to the court reporter. In addition, I have

6   two copies, two originals, of a declaration by Mr.

7   Hunter attesting to the accuracy of his testimony.

8   At this point the Postal Service moves that

9   these materials be admitted into the evidentiary

10   record.

11   CHAIRMAN OMAS: Is there any objection?

12   (No response.)

13   CHAIRMAN OMAS: Hearing none, I will direct

14   counsel to provide the reporter with two copies of the

15   corrected direct testimony of Herbert Hunter III.

16   That testimony is received into evidence.

17   However, as is our practice, it will not be

18   transcribed.

19   (The document referred to was

20   marked for identification as

21   Exhibit No. USPS-T-2 and was

22   received in evidence.)

23   CHAIRMAN OMAS: There was no designated

24   written cross-examination for this witness.

25   Does any participant have any written cross-

1   examination for Witness Hunter?

2   (No response.)

3   CHAIRMAN OMAS: As I said, no participant

4   has requested oral cross-examination of Witness

5   Hunter, so we can proceed to the next witness.

6   Our next witness is Joseph E. Nash. Again,

7   there are no requests for oral cross-examination of

8   this witness.

9   Mr. Reimer?

10   MR. REIMER: Thank you, Mr. Chairman.

11   The Postal Service moves that the direct

12   testimony of Joseph E. Nash on behalf of the United

13   States Postal Service be admitted into evidence in

14   this proceeding.

15   At this time, the Postal Service does not

16   have in hand a signed certification by Mr. Nash, but

17   it will immediately file signed certifications with

18   the Commission upon returning back to headquarters

19   this afternoon.

20   I also have the copies of the designation of

21   written cross-examination, and Mr. Nash has reviewed

22   those and indicated that they are accurate.

23   With that, the Postal Service moves that the

24   testimony be admitted into evidence.

25   CHAIRMAN OMAS: Is there any objection?

1   (No response.)

2   CHAIRMAN OMAS: Hearing none, I will direct

3   counsel to provide the reporter with two copies of the

4   corrected direct testimony of Joseph E. Nash.

5   That testimony is received into evidence.

6   However, as is our practice, it will not be

7   transcribed.

8   (The document referred to was

9   marked for identification as

10   Exhibit No. USPS-T-16 and was

11   received in evidence.)

12   CHAIRMAN OMAS: Counsel, would you please

13   provide two copies of the corrected designated written

14   cross-examination of Witness Nash to the reporter?

15   That material is received into evidence and

16   is to be transcribed into the record.

17   (The document referred to was

18   marked for identification as

19   Exhibit No. USPS-T-16 and was

20   received in evidence.)

21   //

22   //

23   //

24   //

25   //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006   Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
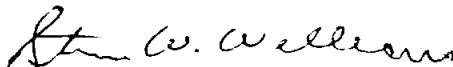OF UNITED STATES POSTAL SERVICE
WITNESS JOSEPH E. NASH
(USPS-T-16)

Party   Interrogatories

Postal Rate Commission   DFC/USPS-T16-3

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS JOSEPH E. NASH (T-16)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory   Designating Parties

DFC/USPS-T16-3   PRC

RESPONSE OF USPS WITNESS NASH (USPS-T-16) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T16-3 Please refer to your testimony at page 5, lines 11–14. Please

explain the basis for your assumption that "the same percentage of Priority Mail uses air

vs. highway transportation when traveling within the offshore regions as when traveling

between the offshore regions and the continental U S."

RESPONSE:

The assumption is an implicit one in my proposed methodology. Let's take the

example of Hawaii as an offshore location, and let's assume that ODIS/RPW indicates

Base Year (FY 2005) Priority Mail volume of 100 pounds traveling to or from Hawaii

(i.e., between Hawaii and the continental United States, Alaska or the Caribbean) and

20 pounds traveling within Hawaii (intra-Hawaii). In line with the 100 to 20 (or 5 to 1)

ratio, my methodology assumes that for every six pounds loaded onto an intra-Hawaii

flight, five pounds represent mail originating or "destinating" outside Hawaii (let's call it

extra-Hawaii mail), and one pound represents mail both originating and "destinating" in

Hawaii (intra-Hawaii mail). This breakout, five pounds vs. one pound, is needed to

eliminate the double-counting inherent in the traditional methodology. The traditional

methodology read the 5 pounds on a flight to or from Hawaii, making a Zone 8

attribution; and then redundantly (and incorrectly) read the 5 pounds on the connecting

intra-Hawaii flight as a separate Zone 1 shipment. In my proposed methodology, the 5

pounds is counted only once as a Zone 8 shipment. That is, the intra-Hawaii

transportation is treated as the starting or final leg of a Zone 8 shipment.

Implicit in this new methodology is that extra-Hawaii mail has no greater proclivity

RESPONSE OF USPS WITNESS NASH (USPS-T-16) TO
INTERROGATORY OF DOUGLAS F. CARLSON

to use air vs. highway transportation *when traveling within Hawaii* than intra-Hawaii mail.

Otherwise, the ratio of the two traveling on intra-Hawaii flights would differ from the 5 to

1 ratio found for all Hawaii Priority Mail in ODIS/RPW. I believe this is a reasonable

assumption. For example, the percentage of mail originating in Honolulu and

"destinating" in Maui, which requires air transportation (because it is inter-island), is

likely to be reasonably close to the percentage of mail originating in the continental

U.S., landing in Honolulu, and connecting to an intra-Hawaii flight for delivery in Maui.

To the extent that there may be a difference in the percentages (for example, *if one big*

mailer located in Honolulu is sending a *disproportionate number of packages to Maui*), I

assume that such differences will tend to average out over the many origin-destination

combinations within Hawaii. And ultimately my methodology does not rely on a precise

specification of air vs. highway transportation for each origin-destination combination

(like Honolulu-Maui), but rather just an overall average, air vs. highway, for all intra-

Hawaii mail and all extra-Hawaii mail.

1   CHAIRMAN OMAS: Is there any additional

2   written cross-examination for Witness Nash?

3   (No response.)

4   CHAIRMAN OMAS: As I stated earlier, no

5   participant has requested oral cross-examination of

6   Witness Nash, so we can proceed to our next witness.

7   Our next witness is Steve Schroeder. There

8   are no requests for oral cross-examination.

9   Mr. Reimer?

10   MR. REIMER: Thank you, Mr. Chairman.

11   The Postal Service moves that the testimony

12   of Steven M. Schroeder on behalf of the United States

13   Postal Service be admitted into evidence.

14   The Postal Service does have a signed

15   certification by Mr. Schroeder that the testimony, as

16   well as Library Reference USPS-LR-L-71, were prepared

17   under his direction, and he would give the same

18   testimony orally if he were here in person.

19   CHAIRMAN OMAS: Is there any objection?

20   (No response.)

21   CHAIRMAN OMAS: Hearing none, I will direct

22   counsel to provide the reporter with two copies of the

23   corrected direct testimony of Steven M. Schroeder.

24   That testimony is received into evidence.

25   However, as is our practice, it will not be

1   transcribed.

2   (The document referred to was

3   marked for identification as

4   Exhibit No. USPS-T-29 and was

5   received in evidence.)

6   CHAIRMAN OMAS: There was no designated

7   written cross-examination for this witness.

8   Does any participant have any written cross-

9   examination for Witness Schroeder?

10   (No response.)

11   CHAIRMAN OMAS: Again, as I stated, there

12   have been no requests for oral cross-examination of

13   Witness Schroeder, so we can continue to our next

14   witness.

15   Mr. Reimer?

16   MR. REIMER: Mr. Chairman, the Postal

17   Service calls John Kelley as its next witness.

18   CHAIRMAN OMAS: Mr. Kelley, would you raise

19   your right hand?

20   Whereupon,

21   JOHN P. KELLEY

22   having been duly sworn, was called as a

23   witness and was examined and testified as follows:

24   CHAIRMAN OMAS: You can be seated.

25   //

1   (The document referred to was

2   marked for identification as

3   Exhibit No. USPS-T-15.)

4   DIRECT EXAMINATION

5   BY MR. REIMER:

6   Q   Mr. Kelley, before you are two documents

7   entitled Direct Testimony of John Kelley on Behalf of

8   the United States Postal Service.

9   Were these documents prepared by you or

10   under your supervision?

11   A   Yes, they were.

12   Q   If you were to give the content of those

13   documents as your oral testimony today, would they be

14   the same?

15   A   Yes.

16   Q   Are there Category II library references

17   associated with your testimony?

18   A   Yes.

19   Q   And are those library references

20   USPS-LR-L-35, which was prepared under protective

21   conditions, USPS-LR-L-39 and USPS-LR-L-40?

22   A   Yes.

23   MR. REIMER: Mr. Chairman, I'm going to hand

24   two copies of the direct testimony of Mr. Kelley to

25   the reporter and ask that it and its associated

1   library references be entered into the record.

2   CHAIRMAN OMAS: Is there any objection?

3   (No response.)

4   CHAIRMAN OMAS: Hearing none, I will direct

5   counsel to provide the reporter with two copies of the

6   corrected direct testimony of John P. Kelley.

7   That testimony is received into evidence.

8   However, as is our practice, it will not be

9   transcribed.

10   (The document referred to,

11   previously identified as

12   Exhibit No. USPS-T-15, was

13   received in evidence.)

14   CHAIRMAN OMAS: Mr. Kelley, have you had an

15   opportunity to examine the packet of designated

16   written cross-examination made available to you this

17   morning?

18   THE WITNESS: Yes.

19   CHAIRMAN OMAS: If the questions contained

20   in that packet were posed to you orally today would

21   your answers be the same as those you previously

22   provided in writing?

23   THE WITNESS: Mr. Chairman, there is one

24   small correction to Pitney Bowes/USPS-T-15-1. The

25   response included an attached spreadsheet which was

1   correct, but the printout is missing a couple of

2   columns so I will file a corrected version of the

3   printout.

4   CHAIRMAN OMAS: Counsel, would you please

5   provide two copies of the corrected designated written

6   cross-examination of Witness Kelley to the reporter?

7   That material is received into evidence and

8   is to be transcribed into the record.

9   (The document referred to was

10   marked for identification as

11   Exhibit No. USPS-T-15 and was

12   received in evidence.)

13   //

14   //

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20   //

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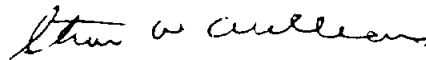
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23   //

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006   Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS JOHN P. KELLEY
(USPS-T-15)

Party   Interrogatories

Pitney Bowes Inc.   PB/USPS-T15-1-2

Postal Rate Commission   PB/USPS-T15-1-2
                                     UPS/USPS-T15-5-6

United Parcel Service   PB/USPS-T15-1
                                     UPS/USPS-T15-5-6

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS JOHN P. KELLEY (T-15)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
PB/USPS-T15-1	Pitney Bowes, PRC, UPS
PB/USPS-T15-2	Pitney Bowes, PRC
UPS/USPS-T15-5	PRC, UPS
UPS/USPS-T15-6	PRC, UPS

RESPONSE OF USPS WITNESS KELLEY (USPS-T-15) TO
INTERROGATORY OF PITNEY-BOWES, INC.

PB/USPS-T15-1. Please refer to the Summary Sheet of USPS-LR-L-39. Please
provide the same type of information for First-Class Mail Presort as you have provided
for Priority Mail, Express, and Outside County Periodicals for both FY 2005 and the Test
Year After Rates ("TYAR"). Please explain your sources and provide your underlying
calculations.

RESPONSE:

Attached to this response is an Excel workbook that provides the requested

information for the base year   The source for all cost information by mode, which is

indicated by the separate worksheets, except the worksheet 'Summary', within the

attached workbook, is worksheet 14.3 from the base year cost segment 14 model

(USPS-LR-L-5)   The costs on each of these worksheets are identical to the

corresponding costs in USPS-LR-L-39

The distance related costs by mode are derived on the worksheet titled

'Summary'   I added two columns (I and J) from the corresponding worksheet in USPS-

LR-L-39   These columns contain total and distance related volume variable cost

segment 14 volume variable costs for First Class Presort Letters (subclass) by mode of

transportation   The source of the total subclass costs, by mode, is worksheet 14.4 from

the base year cost segment 14 model (USPS-LR-L-5)   Since the percentage of costs

by mode that are distance related is not affected by the subclass of mail being

analyzed, the distance related percentages in column B are identical to those found in

USPS-LR-L-39

My understanding is that information is not available to derive the distance

related costs for the test year after rates.

TOTAL COMMERCIAL AIR	ACCRUED	VARIABLE
SYSTEM MANDATORY LOOSE SACK LINEHAUL	90,300	90,300
SYSTEM MANDATORY CONTAINER LINEHAUL	-	-
SYSTEM OPTIONAL L/S LINEHAUL	-	-
SYSTEM CONTAINER GUARANTEE	-	-
SYSTEM MANDATORY LS TERMINAL HANDLING	135,817	135,817
SYSTEM MANDATORY CONTAINER TERM. HAND.	-	-
SYSTEM LOOSE SACK TERMINAL HANDLING	-	-
EMERGENCY/TEMPORARY CONTRACTS LINEHAUL	-	-
EMERGENCY/TEMPORARY CONTRACTS TERMINAL	-	-
PACIFIC ISLAND LINEHAUL	-	-
PACIFIC ISLAND TERMINAL HANDLING	-	-
AIRLIFT - FIRST-CLASS MAIL		-
MISCELLANEOUS SERVICE ADJUSTMENTS	(218)	(218)
MISCELLANEOUS CONTRACT ADJUSTMENTS	300	300
MISCELLANEOUS CLAIM ADJUSTMENTS	290	290
EXCISE TAX	5,451	5,451
PERSONNEL SCREENING	-	-
REIMBURSEMENT AND COST REDUCTIONS	(44)	(44)
DAMAGES	-	-
TOTAL COMMERCIAL AIR	231,897	231,897
LINEHAUL	95,751	95,751
TERMINAL HANDLING	135,817	135,817
PERCENT DISTANCE RELATED	41%	41%

Response to PB/USPS-T15-1 Attachment

ALASKA PREFERENTIAL	Accrued	Variable
BUSH LINE HAUL	10,918	10,918
MAINLINE LINE HAUL	7,668	7,668
BUSH TERMINAL HANDLING	3,427	3,427
MAINLINE TERMINAL HANDLING	4,515	4,515
EXCISE TAX	1,114	1,114
	27,642	27,642
LINEHAUL	19,700	19,700
TERMINAL HANDLING	7,942	7,942
DISTANCE RELATED PERCENTAGE	71%	71%

Response to PB/USPS-T15-1 Attachment

FEDEX NIGHT	Accrued	Variable
FEDEX NIGHT TRANSPORT BYPASS LINEHAUL	-	-
FEDEX NIGHT TRANSPORT BYPASS NON-LINEHAUL	-	-
FEDEX NIGHT FUEL TRANSPORT BYPASS	-	-
FEDEX NIGHT TRANSPORT NONCON LINEHAUL	105,481	105,481
FEDEX NIGHT TRANSPORT NONCON NON LINEHAUL	15,076	15,076
FEDEX NIGHT TRANSPORT NONCON FUEL	15,432	15,432
FEDEX NIGHT GUARANTEE NON-FUEL TRANSPORT	-	-
FEDEX NIGHT GUARANTEE FUEL	-	-
FEDEX NIGHT READ RATE DISCREPANCIES	-	-
FEDEX NIGHT CTV SHUTTLE	-	-
FEDEX NIGHT TUG AND DOLLY SHUTTLE	-	-
FEDEX NIGHT SYSTEM HANDLING EXPENSE -NC	68	68
FEDEX NIGHT TURN EXCISE TAX	7,232	7,232
FEDEX NIGHT	143,289	143,289
DISTANCE RELATED	-	-

FEDEX DAY	Accrued	Variable
FEDEX DAY TRANSPORT BYPASS LINEHAUL	276,560	204,542
FEDEX DAY TRANSPORT BYPASS NON-LINEHAUL	39,247	29,024
FEDEX DAY FUEL TRANSPORT BYPASS	102,610	102,610
FEDEX DAY HANDLING CHARGE BYPASS	518	518
FEDEX DAY TRANSPORT MIXED LINEHAUL	413,202	305,622
FEDEX DAY TRANSPORT MIXED NON-LINEHAUL	58,415	43,206
FEDEX DAY FUEL TRANSPORT MIXED	153,304	153,304
FEDEX DAY HANDLING CHARGE MIXED	541	541
FEDEX DAY TRANSPORT LOOSE LINEHAUL	2,096	1,542
FEDEX DAY TRANSPORT LOOSE NON-LINEHAUL	298	220
FEDEX DAY FUEL TRANSPORT LOOSE	558	558
FEDEX DAY HANDLING CHARGE LOOSE	(530)	(530)
FEDEX DAY TRANSPORT TRUCK LINEHAUL	31,664	23,419
FEDEX DAY TRANSPORT TRUCK NON-LINEHAUL	4,516	3,340
FEDEX DAY FUEL TRANSPORT TRUCK	11,662	11,662
FEDEX DAY HANDLING CHARGE TRUCK	6,889	6,889
FEDEX DAY HANDLING CHARGE MIXED LOOSE	88,743	88,743
FEDEX DAY GUARANTEE NON-FUEL TRANSPORT	404	-
FEDEX DAY GUARANTEE FUEL	205	-
FEDEX DAY GUARANTEE HANDLING CHARGES	(257)	-
FEDEX DAY OTHER	2,568	2,568
FEDEX DAY CTV SHUTTLE	520	520
FEDEX DAY TUG AND DOLLY SHUTTLE	-	-
FEDEX CONTAINER DAMAGE	5	5
DAY TURN TERMINAL HANDLING CONTRACTOR	106,822	106,822
FEDEX DAY TURN EXCISE TAX	59,230	47,937
FROM EAGLE AND DAYNET COST POOLS	176	176
FEDEX DAY	1,359,967	1,133,239
DISTANCE RELATED	-	-

Response to PB/USPS-T15-1 Attachment

CHRISTMAS OPERATIONS

CHRISTMAS NETWORK LINE HAUL	2,966	2,966
CHRISTMAS NETWORK TERMINAL HANDLING	1,410	1,410
CHRISTMAS NETWORK EXCISE TAX	183	183
CHRISTMAS AIR TAXI LINE HAUL	4,754	4,754
CHRISTMAS AIR TAXI TERMINAL HANDLING	8,605	8,605
CHRISTMAS AIR TAXI EXCISE TAX	279	279
TOTAL CHRISTMAS OPERATIONS	18,196	18,196
LINEHAUL	8,181	8,181
TERMINAL HANDLING	10,015	10,015
DISTANCE RELATED	45%	45%

ALASKA NON-PREFERENTIAL

BUSH LINE HAUL	30,466	2,139
MAINLINE LINE HAUL	37,397	2,625
BUSH TERMINAL HANDLING	16,504	1,159
MAINLINE TERMINAL HANDLING	25,625	1,799
EXCISE TAX	4,037	283
TOTAL ALASKA NON-PREFERENTIAL	114,028	8,005
LINEHAUL	71,900	5,047
TERMINAL HANDLING	42,129	2,957
DISTANCE RELATED	63%	63%

AIR TAXI		
LINE HAUL	8,176	8,176
TERMINAL HANDLING	3,417	3,417
EXCISE TAX	475	475
TOTAL AIR TAXI	12,069	12,069
LINEHAUL	8,652	8,652
TERMINAL HANDLING	3,417	3,417
DISTANCE RELATED	72%	72%

Response to PB/USPS-T15-1 Attachment

HAWAII

NON-PREFERENTIAL LINE HAUL	20,376	20,376
NON-PREFERENTIAL TERMINAL HANDLING	10,399	10,399
PREFERENTIAL LINE HAUL	-	-
PREFERENTIAL TERMINAL HANDLING	-	-
EXCISE TAX	1,206	1,206
TOTAL HAWAII	31,981	31,981
LINE HAUL	21,582	21,582
TERMINAL HANDLING	10,399	10,399
DISTANCE RELATED	67%	67%

Response to PB/USPS-T15-1 Attachment

Weight Related In Yellow	Percent	Priority		Express		Outside County Periodicals	
	Distance Related	Total	Distance Related	Total	Distance Related	Total	Distance Related
Fiscal Year 2005							
Air							
Passenger	41.35%	$ 20,046	$ 8,289	$ 2,914	$ 1,205	$ 4,641	$ 1,919
Fed Ex Day	0.00%	$ 828,808	$.	$ 5,550	$ -	$ 8,993	$ -
Fed Ex Night	0.00%	$ 367	$.	$ 82,045	$ -	$ 430	$ -
Christmas	44.96%	$ 14,267	$ 6,414	$ 24	$ 11	$ 119	$ 53
Intra-Alaska Non-preferential	63.05%	$ 1,022	$ 644	$.	$ -	$ 208	$ 131
Intra-Alaska Preferential	71.27%	$ 12,640	$ 9,008	$.	$ -	$ 1,809	$ 1,289
Intra-Hawaii	67.48%	$ 13,868	$ 9,359	$.	$ -	$ 1,912	$ 1,291
Air Taxi	71.69%	$ 6,723	$ 4,819	$ 682	$ 489	$ 138	$ 99
Air Total		$ 897,741	$ 38,534	$ 91,215	$ 1,705	$ 18,249	$ 4,781
Highway							
Intra-SCF		$ 161,382	$.	$ 8,215	$.	$ 72,259	$.
Inter-SCF		$ 172,748	$ 172,748	$ 4,012	$ 4,012	$ 49,546	$ 49,546
Intra-BMC		$ 24,525	$ 24,525	$ 840	$ 840	$ 21,828	$ 21,828
Inter-BMC		$ 10,322	$ 10,322	$ 73	$ 73	$ 39,206	$ 39,206
Plant Load		$ 7,033	$ 7,033	$ 0	$ 0	$ 6,393	$ 6,393
Contract Terminal		$ 1,049	$ 599	$ 36	$13	$ 542	$ 335
Alaskan		$ 33	$ 33	$ 0	$ 0	$ 145	$ 145
Area Bus		$ 0	$ 0	$.	$	$ 0	$ 0
Empty Equipment		$ 24,356	$	$ 1,991	$	$ 4,228	$
Highway Total		$ 401,447	$ 215,259	$ 15,167	$ 4,938	$ 194,146	$ 117,453
Railroad							
Passenger		$ 5	$ 5	$.	$.	$ 91	$ 91
Freight		$ 199	$ 199	$	$.	$ 7,289	$ 7,289
Plant Load		$.	$	$.	$.	$ 4,849	$ 4,849
Empty Equipment		$ 9,074	$	$ 741	$.	$ 1,585	$.
Railroad Total		$ 9,278	$ 204	$ 741	$	$ 13,815	$ 12,229
Water							
Inland		$ 2,390	$.	$ 125	$ -	$ 1,072	$.
Offshore		$ 385	$ 385	$ 3	$ 3	$ 1,690	$ 1,690
Water Total		$ 2,775	$ 385	$ 128	$ 3	$ 2,762	$ 1,690
Total all modes		$ 1,311,240	$ 254,382	$ 107,251	$ 6,646	$ 228,972	$ 136,154
Percent Distance-related			19.40%		6.20%		59.46%

Response to PB/USPS-T15-1 Attachment

RESPONSE OF USPS WITNESS KELLEY (USPS-T-15) TO
INTERROGATORY OF PITNEY-BOWES, INC.

PB/USPS-T15-2. In FY 2005, what percentage of First-Class Mail Presort Letters
distance related surface transportation costs were incurred in connection with air
transportation? Please explain your sources and provide your underlying calculations.

RESPONSE:

The Postal Service has not untaken a special study to calculate this percentage.

A relatively quick estimate of First Class Mail Presort Letters (subclass level) distance

related surface transportation costs incurred in connection with air mail facilities is 5.4

percent. The numerator used to calculate the percentage is the sum of the products of

First Class Presort (subclass level) distance related costs shown in the response to

PB/USPS-T15-1 for the inter-SCF, intra-BMC, and inter-BMC highway transportation

models and their corresponding estimated proportions of cubic-foot miles of mail loaded

or unloaded at airmail facilities The number of cubic foot miles loaded or unloaded at

an airmail facility is obtained using TRACS data. The denominator is the aggregate

distance related costs for these highway transportation modes as reported in response

to PB/USPS-T15-1.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
KELLEY (USPS-T-15) TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T15-5. Refer to USPS-T-15, page 3.

(a) How long is a Fedex "schedule block"?

(b) Are "schedule blocks" always the time intervals over which volume is computed for purposes of determining which block rate applies to mail moving over the Day Turn network?

RESPONSE:

(a)   FedEx schedule blocks range from one month to three months.

(b)   No. The Postal Service calculates volumes over a "schedule period" time

interval, which are typically one month in length and are subsets of "schedule blocks."

Errata to my testimony will be filed in order to state, in reference to time intervals,

"schedule period" rather than "schedule block."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
KELLEY (USPS-T-15) TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T15-6. Is the non-volume variable portion of Day Turn network costs treated as an institutional cost or as a product specific fixed cost? Explain in detail the economic rationale for the treatment of the non-volume variable portion of Day Turn network costs.

RESPONSE:

The non-volume variable portion of Day Turn network costs is treated as product

specific to the group of products made up of Priority Mail and First Class Mail   These

costs are treated as product specific to this group because the Day Turn exists to

transport these two products

1   CHAIRMAN OMAS: Is there any additional

2   written cross-examination for Witness Kelley?

3   (No response.)

4   CHAIRMAN OMAS: Hearing none, that brings us

5   to oral cross-examination.

6   One participant has requested oral cross-

7   examination, the United Parcel Service. Mr. McKeever?

8   MR. WILSON: Good morning, Mr. Chairman.

9   Philip E. Wilson, Jr. on behalf of United Parcel

10   Service.

11   United Parcel Service has no oral cross-

12   examination of this witness.

13   CHAIRMAN OMAS: Thank you.

14   Mr. Kelley, there seems to be no one to

15   cross-examine you. However, I will take that

16   opportunity if that's all right.

17   THE WITNESS: Okay.

18   CHAIRMAN OMAS: Mr. Kelley, I have several

19   questions for you.

20   Last week it was reported in the press that

21   the Postal Service and FedEx agreed to a multi-year

22   renewal of their contract. Are you familiar with the

23   details of that agreement?

24   THE WITNESS: No.

25   CHAIRMAN OMAS: Could you tell us exactly

1   how the Postal Service's payments on the extended

2   contract will be computed in our test year for the

3   fiscal year 2008?

4   THE WITNESS: I'm not familiar at all with

5   the terms of the new contract.

6   CHAIRMAN OMAS: Would you please provide the

7   contract terms that establish the Postal Service's

8   obligation for our record? If possible, I would like

9   that in seven days.

10   That material will be subject to protective

11   conditions established in the Presiding Officer's

12   Ruling No. 5 in this case.

13   THE WITNESS: Okay. Yes.

14   CHAIRMAN OMAS: Mr. Reimer, we're back to

15   you again, sir. Would you like some time with your

16   witness or anything?

17   MR. REIMER: No. Thank you, Mr. Chairman.

18   CHAIRMAN OMAS: Thank you.

19   Mr. Kelley, that completes your very

20   complicated testimony and oral cross-examination

21   today. We appreciate your appearance and your

22   contribution to our record. Thank you very much, and

23   we do appreciate it.

24   THE WITNESS: Thank you.

25   CHAIRMAN OMAS: You are excused.

1   (Witness excused.)

2   CHAIRMAN OMAS: Please stand and raise your

3   right hand.

4   Whereupon,

5   SUSAN W. BERKELEY

6   having been duly sworn, was called as a

7   witness and was examined and testified as follows:

8   CHAIRMAN OMAS: Thank you. Be seated,

9   please.

10   (The document referred to was

11   marked for identification as

12   Exhibit No. USPS-T-34.)

13   DIRECT EXAMINATION

14   BY MR. WEIDNER:

15   Q   Ms. Berkeley, before you are two documents

16   entitled Direct Testimony of Susan W. Berkeley on

17   Behalf of United States Postal Service designated as

18   USPS-T-34.

19   Were those documents prepared by you or

20   under your supervision?

21   A   Yes, they were.

22   Q   If you were to give the contents of those

23   documents as your oral testimony today, would they be

24   the same?

25   A   Yes.

1   Q   Is there a Category II library reference

2   associated with your testimony?

3   A   Yes.

4   Q   Is that Library Reference USPS-LR-L-127?

5   A   Yes.

6   Q   Do you have any revisions to make to that

7   library reference?

8   A   Yes, I do. We were going to file a revision

9   to the library reference today concerning cost

10   coverage calculations in the base year.

11   These affect Workpaper 4, pages 3, 4, 7 and

12   8, but these revisions have nothing to do with the

13   rate design or test year numbers.

14   MR. WEIDNER: Mr. Chairman, with that I will

15   hand two copies of the direct testimony of Witness

16   Berkeley to the reporter and ask that it and its

17   associated library reference be entered into evidence.

18   CHAIRMAN OMAS: Is there any objection?

19   (No response.)

20   CHAIRMAN OMAS: Hearing none, I will direct

21   counsel to provide the reporter with two copies of the

22   corrected direct testimony of Ms. Berkeley.

23   That testimony is received into evidence.

24   However, as is our practice, it will not be

25   transcribed.

1   (The document referred to,

2   previously identified as

3   Exhibit No. USPS-T-34, was

4   received in evidence.)

5   CHAIRMAN OMAS: Counsel, I think you've

6   already done this. Would you please provide two

7   copies of the corrected designated written cross-

8   examination of Witness Berkeley to the reporter?

9   That material is received into evidence and

10   will be transcribed into the record.

11   (The document referred to was

12   marked for identification as

13   Exhibit No. USPS-T-34 and was

14   received in evidence.)

15   //

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25   //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006   Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS SUSAN W. BERKELEY
(USPS-T-34)
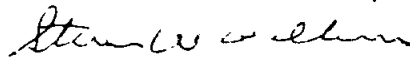
Party   Interrogatories

Office of the Consumer Advocate   OCA/USPS-T34-1-5, 6f-g, 7f-g, 8-11

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS SUSAN W. BERKELEY (T-34)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
OCA/USPS-T34-1	OCA
OCA/USPS-T34-2	OCA
OCA/USPS-T34-3	OCA
OCA/USPS-T34-4	OCA
OCA/USPS-T34-5	OCA
OCA/USPS-T34-6f	OCA
OCA/USPS-T34-6g	OCA
OCA/USPS-T34-7f	OCA
OCA/USPS-T34-7g	OCA
OCA/USPS-T34-8	OCA
OCA/USPS-T34-9	OCA
OCA/USPS-T34-10	OCA
OCA/USPS-T34-11	OCA

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-1. This interrogatory seeks information on the Express Mail
delivery guarantee. Please refer to your testimony at page 3, lines 6-8, where it
states, "The guarantee is backed by a refund of total postage if delivery does not
occur when specified by the Postal Service, with certain exceptions discussed
below."
(a) For Post Office to Addressee Express Mail, are there any circumstances
under which the Postal Service has refunded less than the total amount of
Express Mail postage for delivery failures, i.e., where delivery does not occur by
the guaranteed delivery date and time? Please explain.
(b) For FY 2005, please provide the total amount of refunded postage paid by
the Postal Service for Post Office to Addressee Express Mail, as well as the
amounts refunded separately for Next Day, 2 Day, and the Second Delivery Day.
***
(e) Please rank order and discuss separately if necessary the three most
important factors causing the Postal Service's delivery failures for Post Office to
Addressee Express Mail service for Next Day, 2 Day, and the Second Delivery
Day.

RESPONSE:

(a) It is my understanding that if a customer is eligible for an Express Mail refund

of postage because of late delivery (i.e., delivery or attempted delivery does not

occur by the guaranteed time and one of the exceptions to the availability of a

refund does not apply) and successfully applies for a refund, the entire amount of

postage is always refunded.

(b) Refund data is not maintained by service type. In FY 2005, a total of

$6,395,514 was paid for all Express Mail claims submitted.

(e) It is my understanding that, as was noted in Docket No. R2005-1 at Tr.

8D/4769, the Postal Service does not maintain information as to the cause of

particular Express Mail delivery failures. See also Docket No. R2005-1, Tr.

8D/4902.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-1. This interrogatory seeks information on the Express Mail delivery guarantee. Please refer to your testimony at page 3, lines 6-8, where it states, "The guarantee is backed by a refund of total postage if delivery does not occur when specified by the Postal Service, with certain exceptions discussed below."

***

(c) For FY 2005, please provide the total number of delivery failures for Post Office to Addressee Express Mail, as well as the number of delivery failures separately for Next Day, 2 Day, and the Second Delivery Day.

(d) For FY 2005, please provide the percent of delivery failures to the total volume of Post Office to Addressee Express Mail, as well as the percent of delivery failures separately for Next Day, 2 Day, and the Second Delivery Day.

***

RESPONSE:

(c) – (d) The following data is derived from the Product Tracking System (PTS).

Please note that the scheduled delivery date under PTS may not necessarily correspond to the guarantee that the customer receives and upon which refund decisions are based.

FY 05 Express Mail - PO-Addressee Service Standard	Accepted Volume	On Time Volume	Percent OnTime	Service Failures	% Failed
Express Mail - Next Day 12:00	29,065,520	27,695,373	95.29%	1,370,147	4.7%
Express Mail - Next Day 3:00	9,421,426	8,925,545	94.74%	495,881	5.3%
Total Next Day	38,486,946	36,620,918	95.15%	1,866,028	4.8%
Express Mail - 2 Day 12:00	3,255,075	3,125,912	96.03%	129,163	4.0%
Express Mail - 2 Day 3:00	6,297,177	5,906,985	93.80%	390,192	6.2%
Total 2 - Day	9,552,252	9,032,897	94.56%	519,355	5.4%
Express Mail - 3 Day 12:00	1,730,798	1,694,709	97.91%	36,089	2.1%
Express Mail - 3 Day 3:00	1,058,342	1,024,544	96.81%	33,798	3.2%
Total 3 - Day	2,789,140	2,719,253	97.49%	69,887	2.5%
Express Mail - 4 Day 12:00	823,470	811,393	98.53%	12,077	1.5%
Express Mail - 4 Day 3:00	1,989,818	1,963,552	98.68%	26,266	1.3%
Total 4 -Day	2,813,288	2,774,945	98.64%	38,343	1.4%
Total PO-Addressee Volume	53,641,626	51,148,013	95.35%	2,493,613	4.6%

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-2. This interrogatory seeks information on the Express Mail
delivery guarantee. Please refer to your testimony at page 3, lines 6-8. For FY
2005, please provide the total amount of the Postal Service's potential monetary
exposure for 1) Post Office to Addressee Express Mail, and 2) separately for
Next Day, 2 Day, and the Second Delivery Day, if all customers who experienced
delivery failures requested refunds because of the failure to deliver Express Mail
by the guaranteed delivery date and time.

RESPONSE:

The potential monetary exposure for FY 2005 for Post Office to Addressee is

approximately $38.8 million.

Of this $38.8 million, the breakdown by days to delivery would be as follows:

Next Day	approximately $29.1 million
2 Days	approximately $8.1 million
3 Days	approximately $1.1 million
4 Days	approximately $0.6 million

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-3. This interrogatory seeks information on the Express Mail
delivery guarantee. Please refer to your testimony at page 3, lines 19-20. Also,
please refer to DFC/USPS-T34-4(b). For Post Office to Addressee Express Mail,
please explain under what circumstances claims for merchandise insurance and
document reconstruction insurance against loss, damage, or rifling (up to $100)
are paid in addition to the payment of the guaranteed refund of postage.

RESPONSE:

Please see DMM § 609.4.1 and 609.4.2.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-4. This interrogatory seeks information on the Express Mail
delivery guarantee for customers that purchase Post Office to Addressee
Express Mail service. Please refer to your testimony at page 4, lines 7-9.
(a) Please confirm that the "receipt" provided to customers showing the
guaranteed delivery date and time is a copy of "Mailing Label 11-B." If you do not
confirm, please explain.
(b) Other than Mailing Label 11-B, is the guaranteed delivery date and time
included elsewhere on the customer's Express Mail item or receipt? For
example, is the guaranteed delivery date and time embedded in a barcode, or
printed on some other label placed on the customer's Express Mail item?
Please explain.
(c) Please confirm that a retail window clerk manually writes the guaranteed
delivery date and time on Mailing Label 11-B. If you do not confirm, please
explain.
(d) Please confirm that the retail window clerk obtains the guaranteed delivery
date and time information from the POS terminal. If you do not confirm, please
explain.
(e) For Express Mail acceptance at facilities that do not have POS terminals,
please explain how acceptance personnel obtain the guaranteed delivery date
and time information.
(f) With respect to subparts d. and e, above, is the source of the guaranteed
delivery date and time information obtained by the retail window clerk or the
acceptance personnel a computer database, system or file, or some other
source? Please explain.
(g) With respect to subpart f., above, if the source of the guaranteed delivery
date and time information is a computer database, system or file, please identify
the name of the computer database, system or file, describe its content and size,
explain how it is accessed, and identify those employees in the Postal Service
other than retail window clerks and acceptance personnel that have access to
the database, system or file.

RESPONSE:

(a) Confirmed.

(b) The NCR POS ONE receipt for an Express Mail transaction shows the

delivery commitment in the form of "Next Day Noon," "2nd Day 3PM," etc.;

however, it does not show the delivery date. It is my understanding that neither

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

POS ONE nor IRTs embed the commitment in any barcode or create any extra

label showing the commitment.

(c) Confirmed.

(d) Confirmed, in offices with POS ONE terminals.

(e) At postal facilities without POS ONE terminals, acceptance personnel obtain

the guaranteed delivery date and time information from either IRTs or hardcopy

directories.

(f) I have been informed that for offices with a POS ONE terminal or IRT, the

guaranteed delivery date and time are determined based on a combination of

computer data files and system logic.

(g) I have been informed that offices with POS ONE terminals and IRTs utilize

the same core data file (called "expchart"). Each origin retail unit has its own

version of that data. The expchart file contains cut-off times and corresponding

service commitments for each destination ZIP Code. The file is approximately

6.7 MB. Outside the retail computers, the file is only accessible to personnel

involved in developing software requirements, testing software, and maintaining

the data. The retail computers also have a number of separate data files

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

providing information on exception conditions, which are used as necessary to

modify the basic service commitment indicated by the expchart file:

- list of ZIP Codes where street delivery is not made on Sundays and holidays

- list of destination unit closing times on Saturdays, Sundays, and holidays

- list of Postal Service holidays

- list of FedEx holidays

- list of origin/destination pairs with no service available (e.g., as a result of the

  Gulf Coast hurricanes)

- list of origin/destination pairs with no Next Day service available

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-5. This interrogatory seeks information on the Express Mail
delivery guarantee for customers that purchase Post Office to Addressee
Express Mail service. Please refer to your testimony at page 4, lines 7-9.
(a) For Post Office to Addressee Express Mail Next Day service scheduled for
delivery on Monday through Saturday (assuming no holidays), please confirm
that the guaranteed delivery time is either 12:00 Noon or 3:00 PM, depending
upon the delivery office. If you do not confirm, please explain. If you do confirm,
please explain what factors cause the Postal Service to establish 12:00 Noon or
3:00 PM as the guaranteed delivery time.
(b) For Post Office to Addressee Express Mail Next Day service scheduled for
delivery on either a Sunday or holiday, please confirm that the guaranteed
delivery time is 3:00 PM. If you do not confirm, please explain. If you do confirm,
please explain what factors cause the Postal Service to establish 3:00 PM as the
guaranteed delivery time, rather than a 12:00 Noon delivery time option also as
exists for scheduled delivery on Monday through Saturday.
(c) For Post Office to Addressee Express Mail 2 Day service scheduled for
delivery on Monday through Saturday (assuming no holiday), please provide the
guaranteed delivery time.
(d) For Post Office to Addressee Express Mail scheduled for the Second
Delivery Day after a Sunday or any holiday, please provide the guaranteed
delivery time.

RESPONSE:

(a) Confirmed that the delivery commitment for such a Next Day piece will either

be 12:00 Noon or 3:00 PM, depending on the origin, destination, and acceptance

time. Factors in the setting of these commitments include operational capability

and market considerations.

(b) Confirmed. It is my understanding that the lack of a noon delivery

commitment on Sundays/holidays is in recognition of the fact that the operational

infrastructure is not as robust on Sundays/holidays as it is on weekdays.

(c) – (d) The guaranteed delivery time would be either 12:00 Noon or 3:00 PM.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-6. This interrogatory seeks information on the Express Mail guaranteed delivery date and time for *potential* customers interested in purchasing Post Office to Addressee Express Mail service. Please refer to your testimony at page 4, lines 7-9. For subparts a. – e., below, please provide the following service commitment information for an assumed Express Mail item, entered *on the Mailing Date specified—prior to the "Drop-Off" time—for the ZIP Code pairs specified:* i.) the scheduled calendar date for delivery (i.e., month/day); ii.) the scheduled delivery time; iii.) the Postal Service's characterization of the delivery day (i.e., Next Day, 2 Day, the Second Delivery Day); iv.) the number of calendar days to delivery (i.e., 1, 2, 3, or 4 days); and, v.) the Postal Service's explanation of how to count the number of calendar days to delivery provided in iv.), above.
(a) Mailing Date: Tuesday, July 11, 2006. ZIP Code Pair: From 20001 to 22209.
(b) Mailing Date: Tuesday, July 11, 2006. ZIP Code Pair: From 20001 to 07624.
(c) Mailing Date: Tuesday, July 11, 2006. ZIP Code Pair: From 20001 to 56601.
(d) Mailing Date: Saturday, July 15, 2006. ZIP Code Pair: From 20001 to 97103.
(e) Mailing Date: Saturday, July 1, 2006. ZIP Code Pair: From 20001 to 48154.
(f) Are there any Mailing Dates (within the next 30 days) and ZIP Code pairs for which the Postal Service cannot provide the service commitment information listed in items i.) – v.) above. Please identify or characterize those Mailing Dates and ZIP Code pairs and explain why the Postal Service cannot provide the service commitment information requested.
(g) Please identify the name of the computer database, system or file, describe its content and size, and explain how it was accessed to provide the service commitment information listed in items i.) – v.), above, for subparts a. – e., above.

RESPONSE:

(a) – (e) Objection filed.

(f) It is my understanding that service commitment information is available for

every day of the year, though such information would not be in the retail

computers, as discussed in my response to OCA/USPS-T34-8(a).

(g) Please see my response to OCA/USPS-T34-4(g).

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-7. This interrogatory seeks information on the Express Mail guaranteed delivery date and time for *potential* customers interested in purchasing Post Office to Addressee Express Mail service. Assume the same facts as provided in OCA/USPS-T34-6, subparts a. – e., except that the Express Mail item is entered *subsequent* to the "Drop-Off" time on the same Mailing Dates. For the Mailing Dates and ZIP Code pairs in subparts a. – e., below, please provide the following service commitment information: i.) the scheduled calendar date for delivery (i.e., month/day); ii.) the scheduled delivery time; iii.) the Postal Service's characterization of the delivery day (i.e., Next Day, 2 Day, the Second Delivery Day); iv.) the number of calendar days to delivery (i.e., 1, 2, 3, or 4 days); and, v.) the Postal Service's explanation of how to count the number of calendar days to delivery provided in iv.), above.
(a) Mailing Date: Tuesday, July 11, 2006. ZIP Code Pair: From 20001 to 22209.
(b) Mailing Date: Tuesday, July 11, 2006. ZIP Code Pair: From 20001 to 07624.
(c) Mailing Date: Tuesday, July 11, 2006. ZIP Code Pair: From 20001 to 56601.
(d) Mailing Date: Saturday, July 15, 2006. ZIP Code Pair: From 20001 to 97103.
(e) Mailing Date: Saturday, July 1, 2006. ZIP Code Pair: From 20001 to 48154.
(f) Are there any Mailing Dates (within the next 30 days) and ZIP Code pairs for which the Postal Service cannot provide the service commitment information listed in items i.) – v.) above. Please identify or characterize those Mailing Dates and ZIP Code pairs and explain why the Postal Service cannot provide the service commitment information requested.
(g) Please identify the name of the computer database, system or file, describe its content and size, and explain how it was accessed to provide the service commitment information listed in items i.) – v.), above, for subparts a. – e., above.

RESPONSE:

(a) – (e) Objection filed.

(f) Please see my response to OCA/USPS-T34-6(f).

(g) Please see my response to OCA/USPS-T34-4(g).

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-8. This interrogatory seeks information on the Express Mail
guaranteed delivery date and time for *potential* customers interested in
purchasing Post Office to Addressee Express Mail service. Please refer to the
following table containing Mailing Dates and ZIP Code pairs:

Mailing Dates	ZIP Code Pairs
Tuesday, July 11, 2006	From 20001 to 22209
Tuesday, July 11, 2006	From 20001 to 07624
Tuesday, July 11, 2006	From 20001 to 56601
Saturday, July 15, 2006	From 20001 to 97103
Saturday, July 1, 2006	From 20001 to 48154

Assume further that a potential retail customer is inquiring about Post Office to
Addressee Express Mail service at a retail window for these Mailing Dates and
ZIP Code pairs.

(a) Could a retail window clerk with access to a POS terminal provide the
scheduled calendar date for delivery (i.e., month/day) and delivery time for the
Mailing Dates and ZIP Code pairs in the table above? Please explain. If your
answer is in the affirmative, is the retail window clerk's information on the
scheduled calendar date for delivery (i.e., month/day) and delivery time obtained
from the POS terminal (as opposed to the clerk's general knowledge of Express
Mail service, such as knowing that Tuesday delivery in the current week is the
same as Tuesday delivery the following week, assuming no holiday)? If your
answer is in the affirmative, what is the source of the retail window clerk's
information shown on the POS terminal for the scheduled calendar date for
delivery (i.e., month/day) and delivery time? Please explain.

(b) For Express Mail acceptance at facilities that do not have POS terminals,
please explain how acceptance personnel are able to provide information on the
scheduled calendar date for delivery (i.e., month/day) and delivery time for the
Mailing Dates and ZIP Code pairs in the table above. What is the source of the
acceptance personnel's information on the scheduled calendar date for delivery
(i.e., month/day) and delivery time? Please explain.

RESPONSE:

(a) It is my understanding that there is no practical way to use a retail terminal to

determine the specific commitment for an Express Mail article accepted at a

future date and time. It is also my understanding that commitment information is

only available for the specific origin where the customer is inquiring and the time

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
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of day of the inquiry, and that information would be available for any destination.

I imagine it is possible that a retail clerk would be able to provide this information

based on his or her general knowledge of Express Mail service, though to

remove any doubt, a mailer should use USPS.com, or call 1-800-ASK-USPS.

(b) It is my understanding that IRT sites have access to the same data as POS

ONE sites and the same limitations discussed in part (a) above apply.

Acceptance personnel in manual offices could use a printed directory to provide

information on future commitments. It is important to note that since each

directory bears a discontinue date, it seems likely that acceptance personnel

would avoid calculating service commitment dates too far into the future, and,

especially past the expiration date of the directory.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-9. This interrogatory seeks information on the Express Mail
delivery service performance. Please refer to your testimony at page 4, lines 8-
10.
(a) For FY 2005, please provide the volume and percent of Post Office to
Addressee Express Mail accepted for Next Day 12:00 Noon delivery, Next
Day 3:00 PM delivery, 2 Day delivery, and the Second Delivery Day (show
separately for 12:00 Noon and 3:00 PM, if it exists).
(b) For FY 2005, please provide the volume and percent of Express Mail that
achieved the service commitment referred to in subpart a., above, for which the
Express Mail piece was accepted.

RESPONSE:

(a) The following data are derived from the Product Tracking System (PTS).

Please note that the scheduled delivery date under PTS may not necessarily

correspond to the guarantee that the customer receives and upon which refund

decisions are based.

FY 2005 Express Mail - PO-Addressee

	Accepted Volume	Percent Total
Express Mail - Next Day 12:00	29,065,520	54%
Express Mail - Next Day 3:00	9,421,426	18%
Express Mail - 2 Day 12:00	3,255,075	6%
Express Mail - 2 Day 3:00	6,297,177	12%
Express Mail - 3 Day 12:00	1,730,798	3%
Express Mail - 3 Day 3:00	1,058,342	2%
Express Mail - 4 Day 12:00	823,470	2%
Express Mail - 4 Day 3:00	1,989,818	4%
Total Post Office to Addressee Volume	53,641,626	100%

(b) Please see my response to OCA/USPS-T34-1(c)-(d).

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-10. This interrogatory seeks information to clarify the Express
Mail delivery guarantee for customers that purchase Post Office to Addressee
Express Mail service. Please refer to your response to OCA/USPS-T34-4.
a. Refer to your response to part a. Is there a location on Mailing Label 11-B for
the "origin" retail window clerk to specify the "2nd Delivery Day" when an Express
Mail piece is mailed on a Friday, and there is no Second Day delivery? Please
explain.
b. Refer to your response to part a. Does the Postal Service intend to update
Mailing Label 11-B to include a check-off box for the "origin" retail window clerk to
specify the "2nd Delivery Day?" Please explain.
c. Refer to your response to part c. Please confirm that the retail window clerk
manually writes the guaranteed *delivery date and time* (i.e., the month/day, and
Noon or 3PM) on Mailing Label 11-B, rather than the delivery commitment in the
form of "Next Day Noon," "2nd Day 3PM," etc. If you do not confirm, please
explain.
d. Refer to your response to part d. Please confirm that the retail window clerk
obtains the guaranteed *delivery date and time* (i.e., the month/day, and Noon or
3PM) information, rather than the delivery commitment in the form of "Next Day
Noon," "2nd Day 3PM," etc., from the POS terminal. If you do not confirm, please
explain.
e. Refer to your response to part e. For Express Mail acceptance at facilities that
do not have POS terminals, please confirm that acceptance personnel obtain the
guaranteed *delivery date and time* (i.e., the month/day, and Noon or 3PM)
information, rather than the delivery commitment in the form of "Next Day Noon,"
"2nd Day 3PM," etc., from either IRTs or hardcopy directories. If you do not
confirm, please explain.
f. Refer to your response to part g., where it states, "The expchart file contains
cut-off times and corresponding service commitments for each destination ZIP
Code." Based upon your understanding, does the service commitment
information in the expchart file consist of delivery date and time (i.e., the
month/day, and Noon or 3PM) information, rather than the delivery commitment
in the form of "Next Day Noon," "2nd Day 3PM," etc.? Please explain.
g. Refer to your response to part g., where it states, "The expchart file contains
cut-off times and corresponding service commitments for each destination ZIP
Code." Is it your understanding that the software in the expchart file is not
programmed to provide delivery date and time (i.e., the month/day, and Noon or
3PM) information as the service commitment for Express Mail? Please explain.

RESPONSE:

(a) If a piece is guaranteed for delivery on the "Second Delivery Day", there is a

box on Label 11-B, dated March 2004, that allows the acceptance employee to

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

specify "Second Delivery Day." The box is in the middle of the top row in the

Origin Section.

(b) This box already exists on Label 11-B, dated March 2004. Please see my

response to part (a).

(c) There is a box on Label 11-B that allows the retail associate to manually write

the month and day of the delivery date, and a box that allows the associate to

check whether the delivery time is Noon or 3PM. Additionally, there is a box on

the Mailing Label 11-B that allows the retail associate to check whether the

commitment is for Next Day, 2nd Day, or 2nd Delivery Day.

(d) It is my understanding that POS ONE terminals and IRTs provide both forms

of information; that is, they provide the specific guaranteed delivery date and time

as well as the commitment information in the form of "Next Day/2nd Day/2nd Del.

Day."

(e) For the IRTs, please see my response to part (d) above. It is my

understanding that manual offices have a directory that lists those destinations

with Next Day commitments, and whether those commitments are for Noon or

3PM delivery. It is also my understanding that the directory further indicates

whether those commitments are valid for articles accepted on weekends and

holidays. The retail associate uses that information, along with his or her

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
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knowledge of the local cut-off time and the delivery exception list (if delivery is

targeted for a Sunday or holiday), to calculate the guaranteed delivery date.

(f) - (g) It is my understanding that there are no dates in the expchart file.

Rather, each record in an expchart file contains a destination ZIP Code followed

by a string of cut-off times relative to the available service commitments. It is

also my understanding that the expchart file is used in conjunction with separate

data files and system logic in order to determine the precise date and time of the

delivery guarantee.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T34-11. This interrogatory seeks information to clarify the Express
Mail guaranteed delivery date and time for *potential* customers interested in
purchasing Post Office to Addressee Express Mail service. Please refer to your
response to OCA/USPS-T34-6(f), where it states "It is my understanding that
service commitment information is available for every day of the year . . ."
(Emphasis added)
a. Please confirm that the "service commitment information" that you claim "is
available for every day of the year" is available for a future mailing date during
any day of the year, and for all Zip Code pairs. If you do not confirm, please
explain.
b. How far into the future is "service commitment information" available for a
future mailing date? Please explain.
c. Please confirm that the "service commitment information" that you claim is
available is delivery date and time (i.e., the month/day, and Noon or 3PM)
information. If you do not confirm, please explain.

RESPONSE:

(a) Confirmed. Service commitment data between each origin-destination ZIP

Code is available to the Postal Service for every day of the year, though such

data is not in the retail terminals. Please see my response to OCA/USPS-T34-

8(a).

(b) Express Mail directories are updated approximately every two months. The

"service commitment information" is, therefore, assured up to the date in which

the next update occurs.

(c) It is my understanding that there is no practical way for a retail associate to

use POS ONE terminals and IRTs, which provide information in the form of

month/day and Noon/3PM, to determine the "service commitment information" for

a future date. See my response to OCA/USPS-T34-8(a). Offices with a

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

hardcopy directory could provide future "service commitment information" in

month/day and Noon/3PM format up until the date of the next directory update by

applying the information in the hardcopy directory in the manner discussed in my

response to OCA/USPS-T34-10(e).

1   CHAIRMAN OMAS: Is there any additional

2   written cross-examination for Witness Berkeley?

3   (No response.)

4   CHAIRMAN OMAS: There are also responses to

5   the following interrogatories that I would like to

6   enter into the record at this time.   They are

7   DFC/USPS-T-34-1 through 6.

8   (The documents referred to

9   were marked for

10   identification as Exhibit

11   Nos. DFC/USPS-T-34-1 through

12   6 and were received in

13   evidence.)

14   //

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23   //

24   //

25   //

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T34-1. Please provide a citation to the DMM or DMCS to support
your statement on page 3, lines 4–6 that Express Mail provides "guaranteed"
delivery.

RESPONSE:

Please see DMCS § 180.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T34-2. Please refer to your testimony on page 4, lines 7–9. Please
confirm that several days may pass after a customer mails an Express Mail item
before the customer receives a receipt showing the time and date of mailing and
specifying the date and time of the delivery commitment. If you do not confirm,
please explain.

RESPONSE:

Depending upon the method of entering the Express Mail piece into the

mailstream, confirmed that several days may pass before a customer receives

the Express Mail receipt if the receipt has to be mailed.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T34-3. For Express Mail deposited in Express Mail collection boxes, please confirm that the acceptance time indicated in the Postal Service's electronic Track & Confirm system may differ, by more than a few minutes, from the acceptance time written on the Express Mail receipt. If you do not confirm, please explain.

RESPONSE:

Confirmed that the acceptance time on the Postal Service's tracking system may

vary by more than a few minutes from the acceptance time noted in writing on

the receipt; however, I would be surprised if the time variance exceeded, say, 10

to 15 minutes.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T34-4. Please refer to your testimony on page 8, lines 7-9.
   (a) Please provide a citation from the DMM or DMCS to support your
       statement that Next Day Post Office to Addressee service provides
       "guaranteed next day delivery[.]"
   (b) Do you agree that the only guarantee is for a refund of postage if delivery
       is not achieved by the promised date and time? If not, please explain.

RESPONSE:

a) Please see DMM Sections 113.4.2.1 and 113.4.2.6.

b) Not necessarily. Along with the refund of postage, the guarantee also applies

to merchandise insurance and document reconstruction up to $100, if applicable,

which are basic features of Express Mail service.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T34-5. Please confirm that post offices typically post a collection
time at Express Mail collection boxes that is the same time as the earliest
Express Mail cutoff time at the retail window of a station under the jurisdiction of
that post office. For example, if the earliest Express Mail cutoff time at a station
is 4 PM, the Express Mail collection boxes should show a collection time at 4 PM.
If you do not confirm, please explain.

RESPONSE:

It is my understanding that collection schedules are set so as to provide the latest

possible collection consistent with local acceptance and dispatch capabilities.

The collection time posted on a collection box does not necessarily correspond

with the cutoff time at the retail window at the post office, as time has to be

allotted for transporting the Express Mail piece to the post office.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T34-6. Please describe the computer system that post offices use to determine Express Mail delivery guarantees for items that are deposited in Express Mail collection boxes before the posted collection time but that do not arrive at an Express Mail acceptance office until after the collection time. (In your response, please explain how the Postal Service obtains delivery guarantees that apply to items deposited before the cutoff time when the acceptance transaction is occurring after the cutoff time.)

RESPONSE:

The delivery commitment for a particular Express Mail article is determined by

reference to the Express Mail directories. These directories are either

downloaded into Point of Service ONE (POS ONE), loaded from a diskette into

the integrated retail terminals (IRTs), or referenced from a hardcopy format at the

associate office, station, or branch. It is my understanding that both POS ONE

and IRTs allow the employee recording acceptance of an Express Mail article to

enter the collection box pick-up time as the official time of acceptance in lieu of

the actual system time on the computer.

1   CHAIRMAN OMAS: Is there anyone who wishes

2   to cross-examine Witness Berkeley?

3   (No response.)

4   CHAIRMAN OMAS: Mr. Weidner, would you like

5   some time with your witness?

6   MR. WEIDNER: No, Mr. Chairman.

7   CHAIRMAN OMAS: Is there any additional

8   written cross-examination for Witness Berkeley?

9   (No response.)

10   CHAIRMAN OMAS: Ms. Berkeley, there has been

11   no request. Therefore, we appreciate your appearance

12   here today. We thank you for your contribution to our

13   record. You are now excused. Thank you.

14   THE WITNESS: Thank you.

15   (Witness excused.)

16   CHAIRMAN OMAS: Our next witness is Thomas

17   M. Scherer. Again, there are no requests for oral

18   cross-examination of this witness.

19   Mr. Reimer, would you please proceed to move

20   for admission of his testimony into the record?

21   MR. REIMER: Thank you, Mr. Chairman.

22   The Postal Service moves for the admission

23   of the direct testimony of Thomas M. Scherer on behalf

24   of the United States Postal Service into the record.

25   At the current time we do not have a signed

1   written certification by Mr. Scherer, but we will file

2   one promptly upon returning to headquarters.

3   CHAIRMAN OMAS: Is there any objection?

4   (No response.)

5   CHAIRMAN OMAS: Hearing none, I will direct

6   counsel to provide the reporter with two copies of the

7   corrected direct testimony of Thomas Scherer.

8   That testimony is received into evidence.

9   However, as is our practice, it will not be

10   transcribed.

11   (The document referred to was

12   marked for identification as

13   Exhibit No. USPS-T-33 and was

14   received in evidence.)

15   CHAIRMAN OMAS: Counsel, would you please

16   provide two copies of the corrected designated written

17   cross-examination of Witness Scherer to the reporter?

18   That material is received into evidence and

19   is to be transcribed into the record.

20   (The document referred to was

21   marked for identification as

22   Exhibit No. USPS-T-33 and was

23   received in evidence.)

24   //

25   //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006   Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS THOMAS M. SCHERER
(USPS-T-33)

Party   Interrogatories
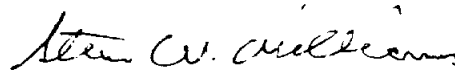
Office of the Consumer Advocate   OCA/USPS-T33-1-7
                                         OCA/USPS-T32-5-7 redirected to T33

Postal Rate Commission   DFC/USPS-T33-1-4, 6
                                         OCA/USPS-T33-2-4, 7

Respectfully submitted,

Steven W. Williams

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS THOMAS M. SCHERER (T-33)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
DFC/USPS-T33-1	PRC
DFC/USPS-T33-2	PRC
DFC/USPS-T33-3	PRC
DFC/USPS-T33-4	PRC
DFC/USPS-T33-6	PRC
OCA/USPS-T33-1	OCA
OCA/USPS-T33-2	OCA, PRC
OCA/USPS-T33-3	OCA, PRC
OCA/USPS-T33-4	OCA, PRC
OCA/USPS-T33-5	OCA
OCA/USPS-T33-6	OCA
OCA/USPS-T33-7	OCA, PRC
OCA/USPS-T32-5 redirected to T33	OCA
OCA/USPS-T32-6 redirected to T33	OCA
OCA/USPS-T32-7 redirected to T33	OCA

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T33-1. Please refer to your testimony at pages 57-58. Please provide the premium that you propose for the flat-rate box.

RESPONSE:

The premium originally built into the rate, $1.78, derived in Docket No. MC2004-2 from the difference between the $7.70 proposed rate and a "base rate" of $5.92. The base rate — which was calculated in Docket No. MC2004-2, USPS-LR-1, Attachment 1, Table 14 — represented the interpolated revenue associated with a 0.34 cubic-foot parcel averaging 2.28 pounds and between Zone 4 and Zone 5 (though closer to Zone 4). Substituting the proposed rates in the instant rate case into Docket No. MC2004-2, USPS-LR-1, Attachment 1, Table 6, a new base rate of $7.12 is obtained in Table 14. The analogous proposed premium would therefore be $8.80 - $7.12 = $1.68.

In real terms, this is more than 10 cents less than the original $1.78 premium. Since that premium was posed, Priority Mail rates have increased by 5.4 percent (Docket No. R2005-1) and are proposed in the instant case to increase by 13.8 percent, on average. Indeed, if I had proposed to increase the current $8.10 flat-rate-box rate by the subclass average of 13.8 percent rather than 8.6 percent, the premium would have been ($8.10 x 1.138) - $7.12 = $2.10.

Now that the Priority Mail flat-rate box has acquired a weight and zone profile, the $1.68 premium is a hybrid measure because it represents the difference between a rate proposed for a product that has averaged around 4.8 pounds and "Zone 5.8" (i.e., between Zones 5 and 6, but closer to Zone 6), and a base rate calculated for a parcel averaging 2.28 pounds and closer to Zone 4 than to Zone 5. (For the source of the 4.8

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF DOUGLAS F. CARLSON

Response to DFC/USPS-T33-1 (cont.)

pounds and "Zone 5.8," see Section II of the Second Semi-Annual Status Report on the

Experimental Priority Mail Flat-Rate Box, filed February 28, 2006.)

As such, while the premium was vital to the Docket No. MC2004-2 rate-setting

methodology, it is no longer all that relevant. A new, more relevant premium may be the

difference between the proposed rate, $8.80, and the rate that would result from

applying the subclass-average cost coverage, 163 percent. That would be $8.80 - $7.99

= 81 cents.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T33-2. Please refer to your testimony at page 31, lines 7-8. Do you believe that "simply adding a footnote to the rate schedule" will adequately inform users of the mail of the shift to dim-weighting in the pricing of Priority Mail — a practice that you admit at page 27, lines 17-18 will represent "somewhat of a culture change to the Postal Service"?

RESPONSE:

No. That statement was only intended to address necessary changes to the

Priority Mail rate schedule (as predicated in line 4). Naturally, in addition to adding a

footnote to the rate schedule (though not adding any new rate cells), various other

efforts including educational campaigns will be required to bring about the referenced

culture change. This was implied by my assumption of, on average, only 37.5 percent

compliance in the Test Year.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T33-3. Please refer to your testimony at page 29, lines 16-17. Please explain the basis for your belief that Priority Mail offers "a relatively high degree of reliability."

RESPONSE:

My statement refers simply to title 39, U.S.C. §3623(c), Classification Criterion

No. 3: "The importance of providing classifications with extremely high degrees of

reliability and speed of delivery." I took the liberty of not quoting the criterion directly,

substituting "relatively" for "extremely," because I am not sure what constitutes an

"extreme."

Priority Mail does have a relatively high speed of delivery (*e.g.,* vs. Parcel Post)

and therefore, in my view, merits consideration under Criterion No. 3.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T33-4. Please refer to your testimony at page 11. In which year were Priority Mail service standards changed to make Priority Mail primarily a two-day service (measured by the service standard applying to a majority of origin-destination ZIP Code pairs) while First-Class Mail remained primarily a three-day service?

RESPONSE:

I do not see the connection between page 11 in my testimony — which pertains

to the history of Priority Mail rates — and changes to service standards. However, it is

my understanding that Priority Mail was entirely a one- and two-day service for

destinations in the contiguous 48 states when service standards were introduced in the

early 1970s, and then sometime in the early 1990s, a relatively small percentage of two-

day service standards were changed to three-day.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T33-6. Please provide the weight distribution of Priority Mail flat-rate
envelopes.

RESPONSE:

In Fiscal Year 2005, the Priority Mail flat-rate envelope's 107.1 million pieces

were distributed as shown below. There is no volume discretely at 15 pounds and at

19+ pounds in part because the data are derived from sampling.

1 Pound	70.8%
2 Pounds	22.6%
3 Pounds	5.0%
4 Pounds	1.2%
5 Pounds	0.2%
6 Pounds	0.05%
7 Pounds	0.02%
8 Pounds	0.01%
9 Pounds	0.007%
10 Pounds	0.001%
11 Pounds	0.004%
12 Pounds	0.001%
13 Pounds	0.003%
14 Pounds	0.002%
15 Pounds	0%
16 Pounds	0.001%
17 Pounds	0.002%
18 Pounds	0.0002%
19+ Pounds	0%

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T33-1. This interrogatory seeks information on the Priority Mail dim-weight pricing model. Please refer to USPS-LR-L-120, and the Word file "DWLibRefJPM.doc," which describes the Priority Mail Dim-Weight Pricing Model. Please provide copies of Exhibits I – V referenced in this Word file.

RESPONSE:

Six files were included in the USPS-LR-L-120 filing. In addition to DWLibRefJPM.doc

were five Excel files: DWZ-5.xls, DWZ-6.xls, DWZ-7.xls, DWZ-8.xls, and DWUSA.xls.

These five Excel files represent Exhibits I through V, respectively.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T33-2. This interrogatory seeks information on the Priority Mail dim-weight pricing model. Please refer to your testimony and the section entitled "U.S. Industry Standard," found at pages 13-15.

a. Refer to page 14, lines 4-6. Please show the derivation of the "dim factor" of 194 cubic inches per pound. Please show all calculations and provide citations to all sources used.

b. Refer to page 14, lines 4-6. Please confirm that the larger the "dim factor" the lower the density in terms of pounds per cubic foot. If you do not confirm, please explain.

c. Refer to page 15, lines 4-9. Please confirm that FedEx and UPS use the "dim factor" of 194. If you do not confirm, please provide the "dim factor" used by FedEx and UPS, and explain what might have influenced the choice of a different "dim factor" by FedEx and UPS.

d. Refer to page 15, lines 4-9. Did you give consideration to using a "dim factor" larger than that used by FedEx and UPS in order to compete more effectively in terms of price? Please explain.

RESPONSE:

a. $7{,}000 \text{ cm}^3/\text{kg} \times 0.0610 \text{ in}^3/\text{cm}^3 \times 0.4536 \text{ kg/lb} = 193.7 \text{ in}^3/\text{lb} \approx 194 \text{ in}^3/\text{lb}$. The

$7{,}000 \text{ cm}^3/\text{kg}$ is referenced in footnote 9 of my testimony (USPS-T-33).

b. Confirmed.

c. Confirmed, for their domestic air services.

d. No. My Priority Mail dim-weighting proposal is not gauged for competitive effect.

Instead, the aim is to "level the playing field" (see my testimony at page 30, line

22 and page 31, line 1) by matching the industry standard (dim factor = 194

in^3/lb).

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T33-3. This interrogatory seeks information on the Priority Mail dim-weight pricing model. Please refer to your testimony and the section entitled "Benchmarking Foreign Posts," found at pages 15 and 16.

> a.   Refer to page 16, lines 12-13. Please confirm that the Canada Post "dim factor" of 166 cubic inches per pound is the same factor propounded by the International Air Transport Association for international package shipments. If you do not confirm, please explain.

> b.   Refer to page 16, lines 12-13. Please confirm that the Canada Post "dim factor" of 166 is used for both domestic and international package shipments. If you do not confirm, please explain.

> c.   Refer to page 16, line 1. Please confirm that the Australia Post "dim factor" of 111 cubic inches per pound is also propounded by the International Air Transport Association.

> d.   Refer to page 16, line 1. Please confirm that the Australia Post "dim factor" of 111 is used for both domestic and international package shipments. If you do not confirm, please explain.

> e.   According to your testimony at page 15, lines 12-15, Australia Post and Canada Post "deliver mail across wide geographical expanses and therefore have similar transportation economics (e.g., the use of both surface and air transportation) to the U.S. Postal Service." (footnote omitted). Given the acknowledged similarities between all three postal administrations, what factors, economic or otherwise, influence the use (or the proposed use) of differing "dim factors" by each? Please explain.

RESPONSE:

a.   I am unable to confirm. The interrogatory presumes that the International Air

Transport Association propounded its 6,000 cm^3/kg standard (translating to 166 in^3/lb)

specifically for international package shipments. I do not know this to be the case, nor

do I state it in my testimony. I only know that the 6,000 cm^3/kg standard is in fact used

by shipping companies in the U.S. for packages sent overseas. However, UPS, in its

Rate and Service Guide for Daily Rates, at pages 20 and 21, does cite "International Air

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

Response to OCA/USPS-T33-3 (cont.)

Transport Association (IATA) volumetric standards" for its use of 194 in^3/lb domestically

and 6,000 cm^3/kg (or 166 in^3/lb) internationally.

As clarification, in its pricing guides, Canada Post quotes the domestic standard

as, alternately, 6,000 cm^3/kg and 165 in^3/lb. However, the strict translation of 6,000

cm^3/kg is 166 in^3/lb.

b.   Not quite confirmed. To the best of my knowledge, Canada Post does use 6,000

cm^3/kg (translating to 166 in^3/lb) both for domestic package shipments and for Standard

and Express international package shipments, but also uses 4,000 cm^3/kg (translating

to 115 in^3/lb) for its premium (expedited) international courier service, Purolator

International.

c.   I am unable to confirm. I do not know the source for Australia Post's 111 in^3/lb

(translated from 250 kg/m^3), nor am I an expert on rules and guidelines issued by the

International Air Transport Association.

d.   Not confirmed. To the best of my knowledge, Australia Post does not apply

"cubing" to international package shipments.

e.   I would presume that Australia Post and Canada Post have made decisions with

respect to cubic or volumetric pricing that well suit their markets. This can include

matching the practices of private-sector operators. For example, in their discussions

with me, Canada Post cited "match[ing] the practices of its competitors" as a reason for

introducing cubic pricing.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T33-4. This interrogatory seeks information on the Priority Mail dim-weight pricing model. Please refer to your testimony at page 27, lines 13-14. Please provide the source for the 25 percent figure.

RESPONSE:

Line 13 makes explicit that the 25 percent figure (the lower bound of a 25 to 50

percent range) is an assumption. The basis for the assumption is explained in lines 14

to 18.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T33-5. This interrogatory seeks information on the Priority Mail dim-weight pricing model. Please refer to your testimony at page 28, line 6. Please provide the table reference and line number for the $16.9 million in lost revenue.

RESPONSE:

The $16.9 million in lost revenue derives from the revenue (as opposed to cost)

impacts in Section 4 of USPS-LR-L-120, Exhibit V, Table ZTot-1 (or, alternatively,

USPS-T-33, Attachment H, Table 1): Line 4b minus Line 4f plus Line 4m minus Line 4p.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T33-6. This interrogatory seeks information on the development of Priority Mail rates. Please refer to your testimony, Attachment A, Table 2 of 12, and the column "Zone 3 Share of Zones L, 1, 2 & 3." Please confirm that the "Special Weight Report from ODIS-RPW" cited as the source of the percentages in the referenced column has been provided as a library reference in this proceeding. If you do not confirm, please provide the cited "Special Weight Report from ODIS-RPW" in hardcopy and electronic form. If you do confirm, please provide the Library Reference number.

RESPONSE:

Not confirmed. An objection was filed on June 26, 2006, regarding providing the

referenced Special Weight Report.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T33-7. This interrogatory seeks information on the development of Priority Mail rates. Please refer to your testimony, Attachment A, Table 9 of 12, and the statement "*Excludes 202,193 boxes for which the zone is unknown."

> a. Please confirm that the flat-rate boxes for which the zone is unknown equals 1.5 (202,193 / 13,517,489) percent of total flat-rate box volume. If you do not confirm, please explain.

> b. Please explain the factors that caused the existence of the unknown zone for these flat-rate boxes, and whether these boxes were delivered.

RESPONSE:

a. Not confirmed. The portion for which the zone is unknown is 202,193 /

(13,517,489 + 202,193) = 1.47 percent.

b. The boxes were delivered, but the zone could not be determined because the

origin ZIP Code in the postmark or meter strip was either absent or unreadable,

or because the box bore permit imprint indicia which rarely include the origin ZIP

Code.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS TAUFIQUE (USPS-T-32)

OCA/USPS-T32-5. For FY 2005, what percentage of single piece Priority Mail postage was paid by a customer at the window? If you are unable to provide an exact percentage, please provide a ball park estimate. Include in your response the derivation of all calculated values, cite all sources, and provide copies of those source documents not previously filed in this docket.

RESPONSE:

For a source that can provide, at a minimum, a ballpark estimate for the requested information, please go to the Postal Service's web site, www.usps.com. Find and click on "About USPS & News." Then click on "Financial Information." Then click on "Quarterly Statistics Reports (QSR)." Then access any of the PDF files representing the four quarters in FY 2005. In these files, you will find, in Table 3-A, a distribution of Priority Mail revenue by indicia. Summing across the four quarters, the following aggregate distribution is obtained for FY 2005: 4.9 percent stamps, 40.1 percent meter, 39.6 percent PVI (postage validation imprinter), and 15.4 percent permit.

What constitutes "single-piece" Priority Mail — as referenced in the question above — is ambiguous. I construe Priority Mail to be 100 percent single-piece because no bulk rates are offered. Others might exclude permit revenue and perhaps some other components of revenue. The PVI component of revenue ($1,833.5 million, or 39.6 percent) is a good proxy for postage paid at the window. Conveniently, it excludes postage already applied when the customer arrives at the window. A small portion of the stamps share ($226.6 million, or 4.9 percent) is probably also purchased and immediately applied at the window. Therefore, my best estimate for the share of Priority Mail postage that is paid by customers at the window is 40 percent.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS TAUFIQUE (USPS-T-32)

OCA/USPS-T32-6. For FY 2005, what percentage of single piece Priority Mail postage is prepaid by the customer prior to dropping off the parcel at the USPS window? If you are unable to provide an exact percentage, please provide a ball park estimate. Include in your response the derivation of all calculated values, cite all sources, and provide copies of those source documents not previously filed in this docket.

RESPONSE:

To the best of my knowledge, the answer to this question is not known.

According to the Retail Data Mart, which compiles information from POS ONE retail

transactions, in FY 2005, 95.0 percent of all Priority Mail postage from such

transactions was paid at the time of the transaction (*i.e.*, at the window). For these

particular transactions, therefore, 5.0 percent of the postage was pre-affixed. However,

this does not consider mail pieces that may have been taken to the window with

postage already fully applied, and as a result avoiding POS ONE processing

altogether.

No data are available for Priority Mail parcels specifically (if that is what the

interrogatory is requesting, which is unclear).

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS TAUFIQUE (USPS-T-32)

OCA/USPS-T32-7. The following interrogatory relates to the proposed Priority Mail "Dim-weighting" pricing and the introduction of the one cubic foot maximum dimension restriction for Zones 5 through 8.

a.   Given that many shapes can fall within the one foot cubic maximum dimension, please specifically identify each step that a window clerk must perform to determine the postage for a Priority Mail package to Zones 5 through 8 that may exceed the one cubic foot package volume restriction.

b.   Referring to part a of this interrogatory, please specifically identify whether and how the additional steps taken by the window clerk, to ensure that a Priority Mail package does not exceed the one cubic foot volume, are factored into the cost calculations for window clerk time either for Dim-weight pricing or for window clerk time not attributed to Dim-weight pricing. Include in your response the derivation of all calculated values, cite all sources, and provide copies of those source documents not previously filed in this docket.

RESPONSE:

a.   The Postal Service has not yet worked out implementation procedures for Priority

Mail dim-weighting. However, one possibility under discussion for the retail window is

as follows. Upon receipt of the parcel, the window clerk will enter the destination ZIP

Code into the retail computer system (POS ONE or integrated retail terminal). If that

indicates a Zone 5 - 8 shipment, then the clerk will make a judgment (prompted by the

computer) whether the parcel may exceed one cubic foot. In that event, length, width

and height measurements will be taken and entered into the computer. For irregularly

shaped parcels (*i.e.*, those without rectangular faces), the measurements will be at the

parcel's maximum cross-sections.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS TAUFIQUE (USPS-T-32)

Response to OCA/USPS-T32-7 (cont.)

The retail computer system will basically take care of the rest. Cubic volume for

regularly shaped parcels will be calculated as length x width x height, all in inches.

Cubic volume for irregularly shaped parcels will be calculated in the same way, but with

an adjustment factor of 0.785. If volume exceeds one cubic foot (1,728 cubic inches),

the retail computer will calculate the dimensional (dim) weight (in pounds) as the cubic

volume (in cubic inches) divided by a "dim factor" of 194. If the dim weight exceeds

actual weight, then the parcel will be rated at the dim weight. Otherwise it will be rated,

as usual, at the actual weight.

b.   Witness Page (USPS-T-23) estimates incremental Priority Mail acceptance costs

from dim-weighting in USPS-LR-L-59, Attachment 14A. The total, $2.3 million, is based

on a unit transaction cost (57.75 cents) that assumes 30 seconds in incremental

window clerk time per transaction (on average). That input was used by Mr. Page at my

direction. I based it on Canada Post's estimated 18 seconds (see my USPS-T-33 at

page 16, lines 15 - 19), assuming that it will take the Postal Service longer during start-

up.

Witness Page's calculation also includes an adjustment factor of +1.5. This was

also at my direction. It reflects an acknowledgement that due to the judgmental nature

of deciding whether a parcel may exceed one cubic foot (see the response to

OCA/USPS-T32-7a, above), some parcels coming under the threshold will also be

measured. In addition, some parcels exceeding one cubic foot but sufficiently

RESPONSE OF POSTAL SERVICE WITNESS SCHERER (USPS-T-33)
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS TAUFIQUE (USPS-T-32)

Response to OCA/USPS-T32-7 (cont.)

high-density to avoid dim-weighting will be measured. The assumption implicit in the
adjustment factor is that for every two parcels exceeding one cubic foot and qualifying
for dim-weighting, one parcel not qualifying for dim-weighting — either because it does
not exceed one cubic foot or because it is relatively high-density — will also be
measured.

1   CHAIRMAN OMAS: Is there any additional

2   written cross-examination for Witness Scherer?

3   (No response.)

4   CHAIRMAN OMAS: No participant has requested

5   oral cross-examination of Witness Scherer so we can

6   proceed to our next witness.

7   Ms. McKenzie? Mr. Hollies, are you going to

8   represent --

9   MR. HOLLIES: We have not made a prior

10   arrangement here. I wonder if we could have a brief

11   recess?

12   CHAIRMAN OMAS: Yes. Why don't we recess

13   for about 10 minutes?

14   MR. HOLLIES: Thank you very much.

15   (Whereupon, a short recess was taken.)

16   CHAIRMAN OMAS: I think we're ready to

17   proceed.

18   Ms. McKenzie, would you identify your next

19   witness so that I can swear him in?

20   MS. MCKENZIE: Thank you, Mr. Chairman. The

21   Postal Service calls Abdulkadir M. Abdirahman.

22   CHAIRMAN OMAS: Mr. Abdirahman, would you

23   stand and raise your right hand?

24   //

25   //

1   Whereupon,

2   ABDULKADIR M. ABDIRAHMAN

3   having been duly sworn, was called as a

4   witness and was examined and testified as follows:

5   CHAIRMAN OMAS: Be seated.

6   (The document referred to was

7   marked for identification as

8   Exhibit No. USPS-T-22.)

9   DIRECT EXAMINATION

10   BY MS. MCKENZIE:

11   Q   Mr. Abdirahman, you have two copies of your

12   testimony in front of you entitled Direct Testimony of

13   Abdulkadir M. Abdirahman, USPS-T-22.   Have you

14   reviewed that testimony?

15   A   Yes.

16   Q   Do you have any changes to that testimony?

17   A   No.

18   Q   Now, according to your testimony you have

19   two library references associated with that testimony,

20   USPS-LR-L-48, Cards and Letters Mail Processing Cost

21   Model, and the second library references is

22   USPS-LR-L-89, Business Reply Mail Cost Model.   Is that

23   correct?

24   A   Yes.

25   Q   If you were to testify today, would your

1 testimony be as presented in the written documents

2 before you?

3   A   Yes.

4   MS. MCKENZIE: Mr. Chairman, at this time I

5 would like to move the testimony of Abdulkadir M.

6 Abdirahman on behalf of the United States Postal

7 Service into evidence.

8   CHAIRMAN OMAS: Is there any objection?

9   (No response.)

10   CHAIRMAN OMAS: Hearing none, I will direct

11 counsel to provide the reporter with two copies of the

12 corrected direct testimony of Mr. Abdirahman.

13   That testimony is received into evidence.

14 However, as is our practice, it will not be

15 transcribed.

16   (The document referred to,

17   previously identified as

18   Exhibit No. USPS-T-22, was

19   received in evidence.)

20   CHAIRMAN OMAS: Mr. Abdirahman, have you had

21 an opportunity to examine the packet of designated

22 written cross-examination that was made available to

23 you this morning?

24   THE WITNESS: Yes.

25   CHAIRMAN OMAS: If those questions contained

1   in that packet were asked of you orally today, would

2   your answers be the same as those previously provided

3   in writing?

4   THE WITNESS: Yes.

5   MR. HALL: Mr. Chairman? Mr. Chairman, if I

6   can make one clarification? There is a response to

7   Interrogatory 53 of MMA.

8   MS. MCKENZIE: It's MMA-T-22-53, just to be

9   clear.

10   MR. HALL: Yes. That is being filed today.

11   That's included in the packet, and we wish to

12   designate it.

13   CHAIRMAN OMAS: Without objection.

14   Are there any additional corrections or

15   additions you would like to make to those answers?

16   THE WITNESS: No.

17   CHAIRMAN OMAS: Counsel, would you please

18   provide two copies of the corrected designated written

19   cross-examination of Witness Abdirahman?

20   That material is received into evidence and

21   is to be transcribed into the record.

22   (The document referred to was

23   marked for identification as

24   Exhibit No. USPS-T-22 and was

25   received in evidence.)

BEFORE THE
POSTAL RATE COMMISSION
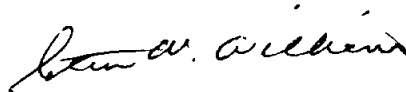WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006   Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS ABDULKADIR ABDIRAHMAN
(USPS-T-22)

Party	Interrogatories
American Bankers Association and National Association of Presort Mailers	ABA-NAPM/USPS-T22-3-5, 8, 10b-g, 12
	DFS & MSI/USPS-T22-1a
	MMA/USPS-T22-1, 2b-c, e-f, 3-4, 5a-b, e, 6a-b, d, 8, 12-13, 16, 19-20, 22-26, 36-39, 41-52
	PB/USPS-T22-1, 3-4, 6-8, 10
Major Mailers Association	MMA/USPS-T22-1, 2b-c, e-f, 3-4, 5a-b, e, 6a-b, d, 7-9, 11, 13-14, 16-17, 20-26, 36-39, 41-52
Office of the Consumer Advocate	MMA/USPS-T22-10
Pitney Bowes Inc.	PB/USPS-T22-1-3, 10
	PRC/USPS-POIR No.8 - Q15d redirected to T22
Postal Rate Commission	PRC/USPS-POIR No.8 - Q15d redirected to T22

Respectfully submitted,

Steven W. Williams (signature)

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS ABDULKADIR ABDIRAHMAN (T-22)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
ABA-NAPM/USPS-T22-3	ABA&NAPM
ABA-NAPM/USPS-T22-4	ABA&NAPM
ABA-NAPM/USPS-T22-5	ABA&NAPM
ABA-NAPM/USPS-T22-8	ABA&NAPM
ABA-NAPM/USPS-T22-10b	ABA&NAPM
ABA-NAPM/USPS-T22-10c	ABA&NAPM
ABA-NAPM/USPS-T22-10d	ABA&NAPM
ABA-NAPM/USPS-T22-10e	ABA&NAPM
ABA-NAPM/USPS-T22-10f	ABA&NAPM
ABA-NAPM/USPS-T22-10g	ABA&NAPM
ABA-NAPM/USPS-T22-12	ABA&NAPM
DFS & MSI/USPS-T22-1a	ABA&NAPM
MMA/USPS-T22-1	ABA&NAPM, MMA
MMA/USPS-T22-2b	ABA&NAPM, MMA
MMA/USPS-T22-2c	ABA&NAPM, MMA
MMA/USPS-T22-2e'	ABA&NAPM, MMA
MMA/USPS-T22-2f	ABA&NAPM, MMA
MMA/USPS-T22-3	ABA&NAPM, MMA
MMA/USPS-T22-4	ABA&NAPM, MMA
MMA/USPS-T22-5a	ABA&NAPM, MMA
MMA/USPS-T22-5b	ABA&NAPM, MMA
MMA/USPS-T22-5e	ABA&NAPM, MMA
MMA/USPS-T22-6a	ABA&NAPM, MMA
MMA/USPS-T22-6b	ABA&NAPM, MMA
MMA/USPS-T22-6d	ABA&NAPM, MMA
MMA/USPS-T22-7	MMA
MMA/USPS-T22-8	ABA&NAPM, MMA
MMA/USPS-T22-9	MMA
MMA/USPS-T22-10	OCA
MMA/USPS-T22-11	MMA
MMA/USPS-T22-12	ABA&NAPM
MMA/USPS-T22-13	ABA&NAPM, MMA

Interrogatory	Designating Parties
MMA/USPS-T22-14	MMA
MMA/USPS-T22-16	ABA&NAPM, MMA
MMA/USPS-T22-17	MMA
MMA/USPS-T22-19	ABA&NAPM
MMA/USPS-T22-20	ABA&NAPM, MMA
MMA/USPS-T22-21	MMA
MMA/USPS-T22-22	ABA&NAPM, MMA
MMA/USPS-T22-23	ABA&NAPM, MMA
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MMA/USPS-T22-47	ABA&NAPM, MMA
MMA/USPS-T22-48	ABA&NAPM, MMA
MMA/USPS-T22-49	ABA&NAPM, MMA
MMA/USPS-T22-50	ABA&NAPM, MMA
MMA/USPS-T22-51	ABA&NAPM, MMA
MMA/USPS-T22-52	ABA&NAPM, MMA
PB/USPS-T22-1	ABA&NAPM, Pitney Bowes
PB/USPS-T22-2	Pitney Bowes
PB/USPS-T22-3	ABA&NAPM, Pitney Bowes
PB/USPS-T22-4	ABA&NAPM, Pitney Bowes
PB/USPS-T22-5	Pitney Bowes
PB/USPS-T22-6	ABA&NAPM, Pitney Bowes
PB/USPS-T22-7	ABA&NAPM, Pitney Bowes
PB/USPS-T22-8	ABA&NAPM, Pitney Bowes
PB/USPS-T22-10	ABA&NAPM, Pitney Bowes

Interrogatory

PRC/USPS-POIR No.8 - Q15d redirected to T22

Designating Parties

Pitney Bowes, PRC

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA-NAPM/USPS-T-22-3. In your testimony (USPS-T-22) at page 6, lines 18-19, you state: "Each cost pool is now classified as being proportional or fixed...". You go on to state that you only use proportional cost factors in your model.

        a.   Please confirm that compared to R2005-1, you have moved *three* cost pools that were classified as worksharing related fixed into the proportional column in LR-L-48:   MODS 17: 1OPPREF, 1OPTRANS, and 1POUCHNG. Please explain *fully any failure to confirm without qualification.*

        b.   Please explain why each cost pool identified in part a. was not included as proportional in R2005-1.

        c.   Please explain why the USPS has changed course in this case by including each of the three cost pools as proportional.

Response:

a.   Partially confirmed. In Docket No. R2005-1, the costs pools mentioned in this interrogatory were classified as follows:

For Auto letters, MODS 17: The 1OPPREF and 1POUCHNG cost pools were classified as worksharing related fixed cost pools. MODS 17: 1OPTRANS cost pool was classified as a non worksharing related fixed cost pool.

For Nonauto letters, MODS 17: The 1OPPREF and 1POUCHNG cost pools were classified as worksharing related proportional cost pool. The 1OPTRANS cost pool was classified as non worksharing related fixed.

In the instant proceeding, the First Class Presort Letters CRA cost pools are now classified as being proportional or fixed, as shown in USPS-LR-L-48 on page 3. These cost pools classifications are as follows:

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

MODS 17: The 1OPPREF and 1POUCHNG cost pools are classified as proportional cost pools. The 1OPTRANS cost pool is classified as a fixed cost pool.

b. Please see my response to part a. The 1OPTRANS cost pool was classified as non worksharing related fixed in Docket No. R2005-1. It contains the costs related to transporting containers of mail between work areas and distributions in MODS facilities. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the "fixed" classification is used.

c. As stated in parts a and b, the 1OPTRANS cost pool is not classified as proportional. The 1OPPREF and 1POUCHING cost pools are classified as proportional because the Docket No. R2005-1 nonauto classifications for these cost pools was worksharing related proportional. The cost by shape estimate used in the instant proceeding is for all presort letters (auto and nonauto combined). In Docket No. R2005-1, separate cost by shape estimates were used for auto presort letters and nonauto presort letters.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA-NAPM/USPS-T-22-4. In your testimony (USPS-T-22) at page 6, lines 18-19, you state: "Each cost pool is now classified as being proportional or fixed...". You go on to state that you only use proportional cost factors in your model.

a.   Please confirm that *eight* cost pools that were classified as worksharing related fixed in R2005-1 were *not* moved into the proportional column in your LR-L-48 in the this case: MODS 17: 1CANCEL, 1MTRPREP, 1PLATFRM, 1PRESORT; MODS 49: LD49; MODS 79: LD79; MODS 99: 1SUPP_F1; and NON MODS ALLIED. Please explain fully any failure to confirm without qualification.

b.   Please explain why the eight cost pools identified in part a. were not included as proportional in R2006-1.

Response:

a. Confirmed.

b. In Docket No. R2005-1, the following cost pools were classified as Worksharing related fixed: MODS 17: 1CANCEL, 1MTRPREP, 1PLATFRM, 1PRESORT; MODS 49: LD49; MODS 79: LD79; MODS 99: 1SUPP_F1; and NON MODS ALLIED. They were not part of the modeled/proportional cost pools. In the instant proceeding, they still are not part of the modeled/proportional cost. Therefore, the "fixed" classification is used.

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ABA-NAPM/USPS-T-22-5. Please confirm that, if the USPS had moved all workshared FCLM cost pools previously classified as worksharing related fixed into your proportional category, the total direct mail processing costs for the test year in R2006-1 would be as follows:

Automation mixed AADC:	7.231 cents
Automation AADC:	5.623 cents
Automation 3 –digit:	5.063 cents
Automation 5-digit:	3.237 cents
Automation carrier route:	2.003 cents

If you fail to confirm without qualification, please state what you believe to be the correct figures under the assumptions of the question, and provide sufficient documentation to replicate your calculations.

Response:

Confirmed.

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ABA-NAPM/USPS-T-22-8. In your testimony (USPS-T-22) at page 9, lines 6-8, you
state that "some pieces are processed through a given operation more than once."
(a) For each instance in which your mail flow models for Presort FCLM require the
processing of a piece more than one time through the same machine or operation,
please state how many passes are involved for what quantities of mail.
(b) For each such instance, how are the extra passes reflected in your costs?
(c) In your mail flow models at each step that a machine is assumed to touch the
mailpiece, please specify the assumed vintage of the machine and technology, along
with its characteristics, for example, number of bins.
(d) Please state all the factors that determine the number of passes that must be made
for an Incoming Primary or Secondary sortation.

Response:

(a-b) In the mail flow model spreadsheets, you can tell if a mail piece was processed

through an operation mode more than once by looking at the left side of the box for any

given operation. If the left side is greater than the right side, then some mail was

processed through the operation more than once. The models had to be setup this way

in order to avoid circular EXCEL reference errors. It is generally assumed that any re-

processed mail is only processed through a given operation a second time, even though

in reality some mail could be processed multiple times through the same operation.

(c) The mailflow models are a simplified representation of reality. The productivity

values in USPS-LR-L-56 would reflect the current machine mix (e.g., MPBCS, DBCS) in

the field. Witness McCrery describes the various machine types in USPS-T-42. The

input data in the cost models do not include the number of bins per machine. The

number of bins per machine would affect the density table inputs. It is possible that they

have not changed that much because when the density study was conducted, the

machines were already fairly large (some with over 200 bins). Furthermore, to the

extent that the additional bin capacities reduce our costs, this would show up in cost

savings included in the rollforward and would be reflected in the sense that the model

costs are compared to rollforward CRA's cost by shape

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(d) It is my understanding that the many factors, including the following, could affect the number of passes in any given operation: mail piece characteristics, machine/operation type (e.g., MPBCS, DBCS, or manual), acceptance rates, and bin densities.

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ABA-NAPM/USPS-T-22-10.

(a) Please describe for outbound operations in mail processing how the number of
different 5-digit ZIP Codes in a batch of mail being processed and the number of bins on
automation machinery can affect the number of passes that must be made to finish a
given operation.

(b) For each machine operation that assumes the processing of an Incoming Primary
sortation, do you make any assumption about the number of 5-digit ZIP Codes for the
10,000 pieces fed? If so, what are they? If not, why not?

(c) For each machine operation that assumes the processing of an Incoming Primary
sortation, do you make any assumption about the number of bins for each machine? If
so, what are they? If not, why not?

(d) Is your mail flow model representative of all Incoming facilities and operations?
Please fully explain your answer.

(e) Would a 1,000,000 mail piece entry model enable you to provide more accurate
results for your cost models than a 10,000 piece entry model?

(f) How many sweepers do you assume for your 10,000 piece entry model; how many
would you assume for a 100,000 or 1,000,000 piece entry model; and at what speed do
you assume the sweepers are sweeping the mail from the sorting bins to letter trays?

(g) Would explicit assumptions about the number of 5-digit ZIP codes and bins in a
100,000 piece or 1,000,000 piece mail flow model affect how many sweepers you had
to assume for such a model, if the sweepers were assumed to sweep mail at the same
rate as indicated in your answer to the preceding part of this question?

(h) Please describe the relationship between the number of bins on an MLOCR or a
BCS relative to the number of different 5-digit ZIP codes to be sorted, and how many
times some or all of the mailpieces will have to be passed on that machine.

Response:

(a) Redirected to witness McCrery.

(b) There is no such explicit input. Mail in the incoming primary operation is "flowed" to

the incoming secondary operations based on the percentage of mail that the density

study indicated was finalized to the 5-digit level.

(c) The number of bins affects the density percentages, but there is no specific input to

the models concerning the number of bins per machine.

(d)   Yes. The model is representative of an array of incoming facilities. Samples of

representative facilities were used as the basis for the density study. Please see my

response to ABA-NAPM/USPS-T-22-8(c).

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(e) No.

(f)   The cost models do not include inputs related to the number of sweepers. The work

hours for employees that perform sweeping tasks are imbedded in the productivity

values. The mail flow model flows 10,000 pieces. It is representative of national

aggregate with variations reflected with density and productivity numbers. Please see

my response to ABA-NAPM/USPS-T-22-8 (c).

 (g) This is not something that can be answered because the models have not been

structured in a way that accommodates any of the suggested inputs.

(h) Redirected to witness McCrery.

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ABA-NAPM/USPS-T-22-12.

(a) Are your Mail Flow Models and any assumptions underlying them in R2006-1 for
workshared FCLM rate categories the same as those used in R2005-1? Please explain
fully any differences.
(b) Are your Mail Flow Models and any assumptions underlying them in R2006-1 for
workshared FCLM rate categories the same as those used in R2000-1? Please explain
fully any differences.

Response:

(a) Yes. However, the cost model and mail flow inputs were updated. Please see my

testimony USPS-T22, pages 5 and 6 for model changes since R2005-1 case.

(b) Yes. However, the cost model and mail flow inputs were updated. Please see

my testimony, USPS-T22, pages 5 and 6 for model changes since R2005-1

case. In Docket No. R2006-1, my testimony describes only the development of

the Test Year (TY) 2008 First-Class Mail presort cards and letters mail

processing unit cost estimates by rate category. In Dockets Nos. R2000-1 and

R2005-1, the testimonies included the development of worksharing related

savings estimates by rate category.

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DFS-MSI/USPS-T-22-1.
Attached please find two figures from USPS *witness Shah's testimony in N2006-1, one*
labeled "Current Network Complexities", the other labeled "Network Simplification".

(a) Using the Shah figure, please indicate for each modeled rate category of First Class
Presort letters in this case, how your mail flow model would change under Network
Simplification. For example, indicate changed entry points, consolidation of steps in the
existing mail flow model, and elimination of redundant steps. For purposes of your answer,
assume that DIOSS and DBCS with 300 bin capacities are fully deployed.

(b) Assuming Network Realignment moves forward along the lines currently envisioned by
the USPS, will the relative value to the Postal Service of presorting letters to the 3 digit
level and the 5 digit level remain the same as today or will it be different? If different please
fully explain your answer.

(c) Assuming Network Realignment is completed according to the Postal Service's current
plans, will the value to the Postal Service of presorting letters to the 3 digit level under
existing DMM guidelines become diminished versus presorting just to the AADC level. If
your answer is anything other than an unqualified "No.", please fully explain.

(d) If your answer to (c) was in the affirmative, does the Postal Service envision dropping
the 3 digit presort requirement currently in the DMM in favor of an AADC presort
requirement?

(e) If your answer to (d) was in the affirmative, does the Postal Service envision eliminating
the 3-digit presort rate category?

(f) If your answer to (e) was in the affirmative, has the Postal Service contemplated the
financial impact on the private sector?

(g) If your answer to (e) was in the affirmative, please explain fully whether such a change
would, or would not, involve avoiding fewer costs for the Postal Service in mail processing
than are avoided at present.

Response:

(a) The cost models reflect the TY 2008 operational reality. I did not consider Network

Realignment programs because the expected change impacts on mail processing mail

flows are expected to be very small in the Test Year 2008. Furthermore, to the extent that

the additional bin capacities on DOISS and DBCS reduce our costs, this would show up in

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cost savings included in the rollforward and would be reflected in the sense that the model

costs are compared to rollforward CRA's cost by shape

(b-g) Redirected to witness McCrery.

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MMA/USPS-T22-1

On page 6 of your testimony you refer to various cost pools that for purposes of your study are either "proportional" or "fixed". You define the "proportional" cost pools as those being reflected by your mail flow models and the "fixed" cost pools as costs that are "beyond the scope of your model." Please confirm that the "fixed" cost pools that are beyond the scope of your model reflect costs that do not vary with the level to which mail is presorted. If you cannot confirm, please explain.

RESPONSE:

Not confirmed. The "fixed" cost pools represent tasks that have not actually been

modeled. I do not model all costs of mail processing operations. Each cost pools

is classified as either "proportional" or "fixed". The cost pool classifications are

based on the operations/tasks mapped to given cost pool, as described in USPS-

LR-L-55. The "proportional" cost pools contain the costs for tasks that I have

actually modeled. The "fixed" cost pools represent tasks that I have not

modeled.

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MMA/USPS-T22-2

On page 6 of your testimony you discuss the problem associated with separating Nonautomation and Automation letter costs within the in-office cost system. To solve this problem you have obtained combined the costs from the CRA and used the mail flow models as the basis to de-average the CRA costs into Nonautomation and Automation costs. You also indicate that separate costs for Nonautomation and automation letters are no longer available to you.

- A. Has the postal service officially combined Nonautomation and Automation costs within the in-office cost system? If so, please provide the date when this change took place. If not, please provide the unit costs separately for Nonautomation and Automation letters as determined by the CRA data system.
- B. Please confirm that you show the total unit cost to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) as 4.59 cents and 4.06 cents, respectively, for TY 2008 in this case. (See USPS-LR-L-48, pages 3 and 45) If not, please provide the correct total unit costs.
- C. Please confirm that in R2005-1, you showed that the total unit cost to process an average First-Class and Standard presorted letter (Nonautomation and Automation combined) for TY 2006 was 4.12 and 4.34 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit cost figures

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	(1)	(2)	(3)	(4)
Rate Category	R2005-1 CRA TY Unit Cost ($)	Associated Volume (000)	Total Cost ($ 000) (1) x (3)	Combined Unit Cost ($) (3) / (2)
First-Class:				
Nonautomation	0.1897	1,949,367	369,707	
Automation (No Car Rt)	0.0350	43,841,671	1,534,799	
Carrier Route	0.0186	718,203	13,352	
Presorted		46,509,242	1,917,859	0.0412
Standard:				
Nonautomation	0.1626	3,517,027	571,957	
Automation	0.0340	44,600,687	1,515,895	
Presorted		48,318,487	2,087,853	0.0434

Source: USPS-LR-K-53

D. Please explain why the total unit cost to process presorted First-Class letters was *lower* by 0.22 cents than the total unit cost to process presorted Standard mail for the test year in R2005-1, but *higher* by 0.53 cents for the test year in R2006-1.Tom

E. Please confirm that, for First-Class presorted letters, the total unit processing cost is expected to increase by 11.4% (4.59/4.12 -1.00) between the R2005-1 test year (2006) and the R2006-1 test year (2008). If not, please provide the correct percentage increase. Confirm

F. Please confirm that, for Standard presorted letters, the total unit processing cost is expected to decrease by 6.5% (4.06/4.34 -1.00)

between the R2005-1 test year (2006) and the R2006-1 test year (2008).
If not, please provide the correct percentage increase. Confirm.

RESPONSE to MMA-T22-2:

A. Redirected to witness Smith (USPS-T-13)

B. Confirmed.

C. Confirmed.

D. Redirected to witness Bozzo (USPS-T-12)

E. Confirmed that the calculations provided in MMA's table result in the calculated change as posed. It can be confirmed that the calculated unit costs increase by 11.4% but the change in unit costs as calculated should not be construed as a real increase in unit costs because between the base year used in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY 2008 costs, there was a change to the method used to collect and assign IOCS tallies. Therefore, because the change in costs and cost methodologies are indistinguishable, it cannot be concluded that the unit costs of processing an average First-Class presort letter increased by 11.4 % from Test year 2006 to Test year 2008.

F. Confirmed that the calculations provided in MMA's table result in the calculated change as posed. It can be confirmed that the calculated unit costs decrease by 6.5% but the change in unit costs as calculated should not be construed as a real decrease in unit costs because between the base year used in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY 2008 costs, there

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was a change to the method used to collect and assign IOCS tallies.

Therefore, because the change in costs and cost methodologies are

indistinguishable, it cannot be concluded that the unit costs of processing

an average Standard presort letter decreased by 6.5 % from Test year

2006 to Test year 2008.

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MMA/USPS-T22-3

Please refer to Library Reference USPS-LR-L-48, pages 3 and 45, where you divide the CRA unit cost pools for presorted letters between "proportional" and "fixed" for First-Class and Standard presorted letters.

A. Please confirm that you have defined "proportional" cost pools in exactly the same manner as you did in R2005-1. That is, if you deemed a cost pool to be "proportional" in R2005-1, you deem that same cost pool to be "proportional" in this case. If you cannot confirm, please explain any differences and why those changes were made.

B. Please confirm that you show the "proportional" unit cost to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) as 2.80 cents and 2.40 cents, respectively, for TY 2008 in this case. (See USPS-LR-L-48, pages 3 and 45) If not, please provide the correct "proportional" unit costs.

C. Please confirm that in R2005-1, your data showed that the "proportional" unit costs to process an average First-Class and an average Standard presorted letter (Nonautomation and Automation combined) for TY 2006 were 2.26 and 2.26 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit cost figures.

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Rate Category	(1) R2005-1 "Proportional" TY Unit Cost ($)	(2) Associated Volume (000)	(3) Total "Proportional" Cost ($ 000) (1) x (3)	(4) Combined "Proportional" Unit Cost ($) (3) / (2)
First-Class:				
Nonautomation	0.1078	1,949,367	210,193	
Automation	0.0189	44,559,875	840,404	
Presorted		46,509,242	1,050,597	0.0226
Standard:				
Nonautomation	0.0901	3,494,388	314,930	
Automation	0.0174	44,824,099	779,437	
Presorted		48,318,487	1,094,366	0.0226

Source: USPS-LR-K-48 Page   6, 20, 61, 62   52, 89

D. Please confirm that in R2005-1, had you defined worksharing related
   proportional cost pools in the exact same manner as you define
   "proportional" in R2006-1, then the "proportional" unit costs to process an
   average First-Class presorted letter and an average Standard presorted
   letter (Nonautomation and Automation combined) for TY 2006 would have
   been 2.41 and 2.53 cents, respectively, as derived in the following table.
   If you cannot confirm, please provide the correct unit cost figures. (Note
   that in order to coincide with your cost categories for this case there were
   several necessary changes. For First-Class Automation letters, the costs
   for the following pools have been switched from "workshare-related fixed"
   to "proportional:" 1OPBULK, 1OPPREF, and 1POUCHING. For First-
   Class Nonautomation, the costs for 1PRESORT have been switched from
   "workshare-related proportional" to "fixed". For Standard Automation, the

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following cost pools have been switched from "workshare-related fixed" to "proportional:" SPBS OTH, 1OPBULK, 1OPPREF, 1POUCHING and SPB. In addition the cost pool SPBSPRIO has been switched from "nonworkshare-related fixed" to "proportional" for both Standard Automation and Nonautomation).

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 "Proportional" TY Unit Cost ($)	Associated Volume (000)	Total "Proportional" Cost ($ 000) (1) x (3)	Combined "Proportional" Unit Cost ($) (3) / (2)
First-Class:				
Nonautomation	0.1073	1,949,367	209,139	
Automation (No Car Rt)	0.0206	43,841,671	904,673	
Carrier Route	0.0106	718,203	7,616	
Presorted		46,509,242	1,121,428	0 0241
Standard:				
Nonautomation	0.0903	3,517,027	317,446	
Automation	0.0202	44,600,687	901,480	
Presorted		48,117,714	1,218,925	0 0253

Source: USPS-LR-K-53

E. Please confirm that the "proportional" unit processing cost of First-Class presorted letters is expected to increase by 16.2% (2.80/2.41-1.00) between the 2006 test year in R2005-1 and the 2008 test year R2006-1. If not, please provide the correct percentage increase and show how you derived it.

F. Please confirm that the "proportional" unit processing cost of Standard presorted letters is expected to decrease by 5.1% (2.40/2.53-1.00) between the 2006 test year in R2005-1 and the 2008 test year R2006-1. If not, please provide the correct percentage increase and show how you derived it.

G. Please explain why cost pools SPBS OTH, SPBSPRIO and SPB are proportional for Standard presorted letters but fixed for First-Class presorted letters, as defined by you in R2006-1.

RESPONSE to MMA-T22-3:

A. Confirmed.

B. Confirmed.

C. Confirmed. The question asked if "your data" reflected the unit costs that MMA has calculated. The Postal Service's data in Docket No. R2005-1 did not reflect the unit costs that MMA has calculated. However, MMA used the R2006-1 methodology in conjunction with information that was available on the record in the Docket No. R2005-1 case to calculate the unit costs shown.

D. Confirmed.

E. Confirmed that the calculations provided in MMA's table result in the calculated change as posed. It can be confirmed that the calculated unit costs increase by 16.2% but the change in unit costs as calculated should not be construed as a real increase in "proportional" unit costs because between the base year used in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY 2008 costs, there was a change to the method used to collect and assign IOCS tallies. Therefore, because the change in costs and cost methodologies are indistinguishable, it cannot be concluded that the " proportional" unit costs of processing an average First-Class presort letter increased by 16.2% from Test year 2006 to Test year 2008.

F. Confirmed that the calculations provided in MMA's table result in the calculated change as posed. It can be confirmed that the calculated unit costs decreased by 5.1% but, the change in unit costs as calculated should not be construed as a real decrease in 'proportional" unit costs because between the base year used in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY 2008 costs, there was a change to the method used to collect and assign IOCS tallies. Therefore, because the change in costs and cost methodologies are indistinguishable, it cannot be concluded that the unit costs of processing an average Standard presort letter decreased by 5.1% from Test year 2006 to Test year 2008.

G. MODS SPBS OTH cost pool contains the cost related to Small Parcel and Bundle sorter (SPBS) bundle sorting operations at MODS facilities. The SPBS is not typically used to process First-Class Mail Letter bundles. It is, however, used to process Standard letter bundles.

MODS SPBSPRIO cost pool contains the cost related to Small Parcel and Bundle sorter (SPBS) priority mail sorting operations at MODS facilities. The SPBSPRIO is not typically used to process First Class Mail letters. Please refer to the response to MMA/USPS-T-22-21 (B)

The BMCS SP cost pool contains the costs related to SPBS operations at BMCs. First Class Mail is not processed at BMCs. The SPBS is used to

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process Standard Mail bundles at BMCs and therefore this cost pool was

included in the Standard Mail model.

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MMA/USPS-T22-4

Please refer to Library Reference USPS-LR-L-48, page 3 where you compute the CRA unit costs to process First Class Presorted letters, page 45, where you compute the CRA unit costs to process Standard Presorted letters, and Library Reference USPS-LR-L-53, the source for your cost pool data.

A. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters, the test year 2008 total unit cost and proportional unit cost for First-Class single piece letters are 12.02 cents and 7.66 cents, respectively. If you cannot confirm, please provide the correct total unit cost and proportional unit cost for First-Class single piece letters.

B. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters in R2006-1, the total unit cost and proportional unit cost for First-Class single piece letters in the 2006 test year in R2005-1 would be 11.42 cents and 7.16 cents, respectively. If you cannot confirm, please provide the correct total and proportional unit cost for First-Class single piece letters.

C. Please confirm the unit costs and expected increases as shown in the table below. If not, please make any necessary corrections.

	Total Unit Cost			"Proportional" Unit Cost		
Letter Rate Category	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase
Single Piece	11.42	12.02	5.3%	7.16	7.66	7.0%
Presorted	4.12	4.59	11.4%	2.41	2.80	16.2%
Standard Presorted	4.34	4.06	-6.5%	2.53	2.40	-5.1%

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D. Please confirm that the total unit cost of processing First-Class Presorted letters is expected to increase at more than twice the rate of Single Piece letters (11.4% compared to 5.3%) between the 2006 test year in R2005-1 and the 2008 test year in R2006-1. If you cannot confirm, please explain.

E. Please confirm that the "proportional" unit cost of processing First-Class Presorted letters is expected to increase at more than twice the rate of Single Piece letters (16.2% compared to 7.0%). If you cannot confirm, please explain.

F. Please confirm that, while the total and proportional unit costs for First-Class single piece and presorted letters are expected to rise between TY 2006 and TY 2008, such costs are expected to decline for Standard presorted letters, as shown in the table to part (C). If you cannot confirm, please explain.

RESPONSE:

A. Confirmed. However, classifying the cost pools the same way as before would be inconsistent with the methodology in this case.

B. Confirmed. However, classifying the cost pools the same way as before would be inconsistent with the methodology in this case.

C. Confirmed.

D. Confirmed that the calculations provided in MMA's table result in the calculated change as posed. It can be confirmed that the calculated unit costs increase from 5.3% to 11.4% but, the change in unit costs as calculated should not be construed as a real increase in unit costs because between the base year used in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY 2008 costs, there was a change to the method used to collect and assign IOCS tallies. Therefore, because the change in costs and cost methodologies are indistinguishable, it cannot be concluded that the unit costs of processing an average First-Class presort letter increased from 5.3 % to 11.4% from Test year 2006 to Test year 2008.

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E. Confirmed that the calculations provided in MMA's table result in the calculated
change as posed. It can be confirmed that the calculated unit costs increase
from 7.0% to 16.2% but, the change in unit costs as calculated should not be
construed as a real increase in unit costs because between the base year used
in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in
R2006-1 (FY 2005) to develop TY 2008 costs, there was a change to the
method used to collect and assign IOCS tallies. Therefore, because the change
in costs and cost methodologies are indistinguishable, it cannot be concluded
that the "proportional" unit costs of processing an average First-Class presort
letter increased from 7.0 % to 16.2% from Test year 2006 to Test year 2008.

F. Confirmed.

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MMA/USPS-T22-5

Please refer to R2006-1 Library Reference USPS-LR-L-48, page 40 and R2006-1
Library Reference USPS-LR-K-48, page 52, where you list the Presorted letter volumes
by category.

A. Can you confirm the following volumes and percentages by specific rate category
for BY 2005 in this case? If not please provide corrections.

	R2006-1	
First-Class Presorted Letter Category	BY 2005 Volume (000)	Volume % Category
Nonautomation Nonmachinable Mixed ADC	10,182	1%
Nonautomation Nonmachinable ADC	4,819	0%
Nonautomation Nonmachinable 3-Digit	6,178	0%
Nonautomation Nonmachinable 5-Digit	1,250	0%
Total Nonautomation Nonmachinable	22,429	1%
Nonautomation Machinable Mixed AADC	716,554	41%
Nonautomation Machinable AADC	238,936	14%
Nonautomation Machinable 3-Digit	625,850	36%
Nonautomation Machinable 5-Digit	135,548	8%
Total Nonautomation Machinable	1,716,887	99%
Total Nonautomation	1,739,317	100%
Automation Mixed AADC	2,875,272	6%
Automation AADC	2.500,365	5%
Automation 3-Digit	22,908,988	49%
Automation 5-Digit	17,449,671	38%
Automation Carrier Route	673,921	1%
Total Automation	46,408,216	100%
Grand Total	48,147,533	

B. Can you confirm the following volumes and percentages by specific rate category
for BY 2004 in R2005-1? If not please provide corrections.

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	R2005-1	
First-Class Presorted Letter Category	BY 2004 Volume (000)	Volume % Category
Nonautomation Nonmachinable Mixed ADC	79,534	3%
Nonautomation Nonmachinable ADC	78,556	3%
Nonautomation Nonmachinable 3-Digit	391,483	14%
Nonautomation Nonmachinable 5-Digit	308,225	11%
Total Nonautomation Nonmachinable	857,797	31%
Nonautomation Machinable Mixed AADC	271,548	10%
Nonautomation Machinable AADC	156,519	6%
Nonautomation Machinable 3-Digit	524,895	19%
Nonautomation Machinable 5-Digit	138,608	5%
Total Nonautomation Machinable	1,091,570	39%
Total Nonautomation	2,807,164	100%
Automation Mixed AADC	2,770,420	6%
Automation AADC	2,522,102	6%
Automation 3-Digit	22,585,608	51%
Automation 5-Digit	15,963,541	36%
Automation Carrier Route	718,203	2%
Total Automation	44,559,875	100%
Grand Total	47,367,039	

C. Please explain what phenomena caused the percentage of Nonautomation
machinable letters to increase from 39% of total Nonautomation mail in the 2004
Base Year in R2005-1 to 99% of total Nonautomation mail in the 2005 Base Year
in R2006-1.

D. Please explain what phenomena caused the volume of Nonautomation
nonmachinable letters to decrease by 97.4%, from 858,797,000 to 22,429,000,
between the 2004 Base Year in R2005-1 and the 2005 Base Year in R2006-1.

E. Please explain in detail how the significant change in the makeup of
Nonautomation letters, i.e., a conversion of 835 million letters from
nonmachinable to machinable (857,979,000 – 22,429,000), has affected the CRA
costs to process this mail between R2005-1 BY 2004 and R2006-1 BY 2005. In
other words, should this increase costs, decrease costs or have no impact on
costs, all other factors being equal?

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RESPONSE to MMA-T22-5:

A. Confirmed.

B. Confirmed.

C.-D. Redirected to witness Loetscher.

E. It is my understanding that conversion of letters from non-machinable to machinable should, all other things equal, lower costs. The specific cost impact may be difficult to ascertain and/or quantify as the change would have come in the midst of other cost changes due to other forces as well as the impact of IOCS Redesign.

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MMA/USPS-T22-6

Please refer to the summary of First-Class letter presorted unit processing costs as shown on page 1 of Library Reference USPS-LR-L-48. As shown there, the unit cost for Nonautomation letters (6.302 cents) is lower than the unit cost for automation mixed AADC letters (6.470 cents). Please also refer to R2005-1 Library Reference USPS-LR-K-48.

A. Please confirm the 2005 Base Year volumes and percentages from Library Reference USPS-LR-L-48, page 40 as shown in the following table. If you cannot confirm, please provide the correct volumes and percentages.

First-Class Presorted Letter Category	R2006-1	
	BY 2005 Volume (000)	Volume % Subcategory
Nonautomation Nonmachinable Mixed ADC	10,182	45%
Nonautomation Nonmachinable ADC	4,819	21%
Nonautomation Nonmachinable 3-Digit	6,178	28%
Nonautomation Nonmachinable 5-Digit	1,250	6%
Total Nonautomation Nonmachinable	22,429	100%
Nonautomation Machinable Mixed AADC	716,554	42%
Nonautomation Machinable AADC	238,936	14%
Nonautomation Machinable 3-Digit	625,850	36%
Nonautomation Machinable 5-Digit	135,548	8%
Total Nonautomation Machinable	1,716,887	100%
Total Nonautomation	1,739,317	
Automation Mixed AADC	2,875,272	6%
Automation AADC	2,500,365	5%
Automation 3-Digit	22,908,988	49%
Automation 5-Digit	17,449,671	38%
Automation Carrier Route	673,921	1%
Total Automation	46,408,216	100%
Grand Total	48,147,533	

B. Please confirm the 2004 Base Year volumes and percentages from R2005-1 Library Reference USPS-LR-K-48, page 52 as shown in the following table. If you cannot confirm, please provide the correct volumes and percentages.

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	R2005-1	
First-Class Presorted Letter Category	BY 2004 Volume (000)	Volume % Subcategory
Nonautomation Nonmachinable Mixed ADC	79,534	9%
Nonautomation Nonmachinable ADC	78,556	9%
Nonautomation Nonmachinable 3-Digit	391,483	46%
Nonautomation Nonmachinable 5-Digit	308,225	36%
Total Nonautomation Nonmachinable	857,797	100%
Nonautomation Machinable Mixed AADC	271,548	25%
Nonautomation Machinable AADC	156,519	14%
Nonautomation Machinable 3-Digit	524,895	48%
Nonautomation Machinable 5-Digit	138,608	13%
Total Nonautomation Machinable	1,091,570	100%
Total Nonautomation	2,807,164	
Automation Mixed AADC	2,770,420	6%
Automation AADC	2,522,102	6%
Automation 3-Digit	22,585,608	51%
Automation 5-Digit	15,963,541	36%
Automation Carrier Route	718,203	2%
Total Automation	44,559,875	100%
Grand Total	47,367,039	

C. Please explain what phenomenon caused the volume of Nonautomation
   nonmachinable letters presorted to 3- and 5-digits to decrease from 82% in BY
   2004 to just 34% in BY 2005.
D. Please explain why the cost to process Nonautomation letters that bear no
   prebarcode is less than the cost to process MAADC automation letters that are
   prebarcoded.

RESPONSE to MMA/USPS-T22-6:

A. Confirmed.

B. Confirmed.

C. Redirected to witness Loetscher.

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D. The mail in this rate category is more finely presorted than automation Mixed

AADC mail. The cost savings from presortation may have offset the costs

required to apply a barcode to the average nonautomation mail pieces.

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MMA/USPS-T22-7

Please refer to the cost sheets for First-Class presorted letters shown in Library
Reference USPS-LR-L-48, pages 4, 6, 8, 10, 12, 14, 16, 18, 20, and 22. In R2005-1
you provided a derived DPS % on the bottom of each of the cost sheets (see R2005-1
Library Reference USPS-LR-K-48, pages 3, 7, 9, 11, 13, 15, 17, 21, 23, 25, 27, 29 and
31) yet there appears to be no similar derivation of DPS % in this case.

    A. Why did you not derive a DPS % for each of the rate categories for which you
       provide a cost sheet?

    B. Did you provide DPS %'s to USPS witness Kelley in this case, as you did in
       R2005-1? If so, please provide those DPS %s and show how each DPS % was
       derived. If not, why not?

    C. For Automation letters, are the DPS %s different for different presorted levels? If
       so, please quantify those differences. If not, please explain why they are the
       same.

    D. For NonAutomation letters, are the DPS %s different for different presorted
       levels? If so, please quantify those differences. If not, please explain why they
       are the same.

RESPONSE:

A. In the instant proceeding, the Postal Service has revised its delivery cost

estimates. After further consideration, it has been determined that machinability

is the one mail piece characteristic that has a quantifiable impact on delivery

costs. The machinable mail pieces would be dispatched to delivery units with the

Delivery Point Sequence (DPS) mail, while the nonmachinable mail pieces would

not. Delivery cost estimates are therefore provided for machinable and

nonmachinable mail pieces only. Delivery cost estimates are no longer provided

by rate category, as there is no conclusive evidence to suggest that the DPS

percentages actually vary among the machinable rate categories. Furthermore, it

would not be possible to conduct a field study to estimate those percentages due

to the fact that the specific rate a given mail piece has been assessed cannot be

determined. The DPS percentages that have been calculated in the past were a

byproduct of the fact that acceptance rates have been assigned to each

automation operation. It was assumed that less finely presorted rate categories typically had lower DPS percentages due to the fact that the mail was processed through a greater number of operations. In reality, mail pieces that have been successfully processed (i.e., accepted) in an "upstream" automation operation are likely to be successfully processed in a "downstream" operation as well. The mail pieces that have not been accepted in a given automation operation are more likely to be mail pieces that are undergoing a first sortation on automated equipment. While the models may be an effective tool for estimating mail processing unit costs by rate category, they are not likely to be an effective tool for estimating DPS percentages by rate category.

(B-D) No, I did not provide DPS percentages to witness Kelley for the development of workshare-related delivery cost savings. Please see the response to MMA/USPS-T22-7 (A).

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MMA/USPS-T22-8

Please refer to Library Reference USPS-LR-L-48, pages 19, 21, 23, and 25, which
depict the mail flow models for letters that require application of a barcode within the
Remote Bar Coding System (RBCS).

A. Are there any means by which you are able to reconcile the model costs to actual
    CRA costs to test the validity of the mail flow models and the accuracy of the
    results? Please explain your answer.
B. Please confirm that in R2005-1, the mail flow model-derived unit cost for BMM
    was the only model through which letters required the application of a barcode
    within the RBCS and for which CRA costs were readily available for *direct*
    comparison purposes. If you cannot confirm, please provide all such models
    where you derived unit costs and where CRA costs were directly available for
    comparison purposes.
C. Please confirm that since R2001-1, the Postal Service's mail flow model for BMM
    understated actual costs as shown in the following table. (See your answer to
    Interrogatory MMA/USPS-T21-28A in R2005-1)

Docket No.	Bulk Metered Mail			
	CRA Cost	Model Cost	Prop Factor	Model % Under-estimate
R2000-1 (1998)	6.979	5.269	1.3245	-25%
R2000-1 (1999)	6.856	5.407	1.2680	-21%
R2001-1	6.447	4.276	1.5077	-34%
R2005-1	6.476	4.454	1.4540	-31%

D. Please confirm that the 1.4540 CRA Proportional factor in R2005-1 meant that
    the model failed to recognize 31% of the actual costs incurred to process BMM.
    If you cannot confirm, please explain.
E. Did you make any material changes to your mail-flow models or input parameters
    for letters requiring the application of barcodes in the RBCS, such as for the
    Nonautomation letter categories, which would suggest that your mail flow models
    in this case are any more accurate than the mail flow models that understated
    unit costs in previous cases. If so, please describe those changes and explain
    why the models in this case would account for the apparent missing costs in the
    last three cases.

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RESPONSE to MMA/USPS-T22-8:

A. The cost models consist of two spreadsheets: a mail flow spread sheet and a
cost spread sheet. These spread sheets are used to calculate modeled costs. A
weighted model cost for all the rate categories is then computed using base year
mail volumes and is tied back to the CRA using adjustment factors.

B. Partially confirmed. Please see mail flow models in LR-K-48, page 21 that show
that Nonautomation machinable mixed AADC and Nonautomation machinable
AADC pieces pass through RBCS processing. Also, the BMM letter model was
compared to metered letters costs which consisted of BMM letters and metered
letters. There are no other models.

C. Not confirmed. The single piece metered letters costs by shape were used as a
proxy for BMM letters, which cannot be quantified. The proxy, however, does not
reflect "actual" BMM letters cost. The first column in table implies the CRA
provides a cost for BMM. This is incorrect. Instead, the methodology used in
R2001-1 and R2005-1 used the CRA cost for single piece metered letters as a
proxy for BMM. Thus the models did not "understate actual [BMM] costs," as
stated in the question since the actual costs of BMM were not known.

D. Partially confirmed. It can be confirmed that 1.4540 was the CRA Proportional
factor for BMM in R2005-1. However, it is not confirmed that the model failed to
recognize 31% of costs. Please refer to my response to part (C) above. For the
reason a Proportional factor is used, please see the response to MMA/USPS-
T22-9 (A).

E. New inputs were used to update all letter mail flow models and cost sheets
including the application of barcodes in the RBCS. Please see my testimony
USPS-T22-1 page 2 for explanations of types of inputs used and their sources.

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The cost models could overstate, understate cost or accurately state costs, given

that they are used as estimation tool.

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MMA/USPS-T22-9

Please refer to Library Reference USPS-LR-L-48, page 2, where you compare the model-derived unit cost to process First-Class Automation letters to the CRA-derived "proportional" unit cost. The computed CRA Proportional Factor is 1.013.

A. Please confirm that since R2001-1, the Postal Service's mail flow model for Automation letters has overstated actual costs as shown in the following table. (See your answer to Interrogatory MMA/USPS-T21-29A in R2005-1)

Docket No.	Automation Letters			
	CRA Cost	Model Cost	Prop Factor	Model % Over-estimate
R2000-1 (1998)	2.553	2.866	0.891	12%
R2000-1 (1999)	2.63	2.923	0.900	11%
R2001-1	2.138	2.683	0.797	25%
R2005-1	1.886	2.668	0.707	41%

B. Please confirm that the 0.707 CRA Proportional factor in R2005-1 meant that the models produced nonexistent costs equal to 41% of the actual costs incurred to process the Automation letters. If you cannot confirm, please explain.

C. Did you make any material changes to your Automation mail flow models or your input parameters that would tend to reduce the amount of costs captured by the models? If not, please explain why your model-derived unit cost to process presorted letters (Nonautomated and Automated letters combined) is so close to your CRA proportional cost. If so, please describe those changes and explain why the models in this case would account for the apparent nonexistent costs that were captured by the models in the last three cases.

D. If you made no material changes to your mail flow models as suggested in Part (D), please confirm that the reason why your model-derived unit cost for presorted letters is so close to your CRA-derived unit cost is either (1) the overstatement in the model-derived costs for Nonautomation letters offsets the understatement in the model-derived costs for Automation letters, or (2) the CRA has attributed more costs to presorted letters than it did in previous cases or (3) a combination of both (1) and (2). Please explain your answer in detail.

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RESPONSE MMA/USPS-T22-9:

A. Not confirmed. Please refer to the response to POIR 1, question 1(a) in Docket
No. R2005-1. The CRA Proportional factor are applied for the following reasons:
(1) average data are used, (2) all tasks are not modeled, and (3) cost models
are, by definition, a simplified representation of reality. The cost models are
used because actual costs were not available. Therefore, I can not confirm that
the models overstate or understate actual costs.

B. Partially confirmed. It can be confirmed 0.707 was the CRA proportional factor in
R2005-1. However, it is not confirmed that the model failed to recognize 41% of
costs. Please see the response to part 9A.

C. It can be confirmed that I have updated the input parameters for both mail flow
model and cost sheets. As I have stated in my testimony on page 6, the separate
automation and nonautomation costs were combined into one set of cost
estimates for the reasons stated in response to POIR 1, question (1 a) in Docket
No. R2005-1 and the response to POIR 5, question 4 and 5 in Docket No.
R2006-1. Also the inputs changed to reflect updated costs and other factors as
well as the impact of IOCS Redesign.

D Not applicable

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MMA/USPS-T22-10

Please refer to page 2 of Library Reference USPS-LR-L-48, specifically where you
compute the CRA Proportional Adjustment factor for all presorted letters combined.

A. Please confirm that, in order to compute a combined CRA Proportional
Adjustment factor for presorted letters, you needed to assume that your mail flow
models accurately reflect the cost relationship that actually exists between letters
requiring a barcode to be applied (Nonautomation letters) and prebarcoded
letters (Automation letters). If not, please explain.
B. Do you agree that, historically, the Postal Service's mail flow models for
nonprebarcoded letters, particularly bulk metered mail, have always understated
the actual costs? If not, please explain.
C. Do you agree that, historically, the Postal Service's mail flow models for
prebarcoded letters, particularly Automation letters, have always overstated the
actual costs? If not, please explain.
D. Did you consider computing separate CRA Proportional Adjustment factors, one
for Nonautomation letters that require processing within the RBCS and one for
Automation letters that bypass the RBCS? If so, why did you reject the idea? If
not, why not?

RESPONSE:

A. Not confirmed. I did not need to make such an assumption. As I stated it in a

response to POIR 1, question 1 (a) in Docket No.R2005-1, some nonauto letters

have barcodes and some auto letters do not have barcodes. Also, the cost

models were structured separately for auto and nonauto. They have always been

designed to quantify card/letters operations using the best available data.

B. I agree that historically the cost model used a CRA cost that included BMM

letters and metered bundles. Therefore, one would not have expected to see a

CRA proportional adjustment factor of 1.0. Please see the response to

MMA/USPS-T-22-8 (C).

C. I cannot agree or disagree. Historically cost models could have overstated,

understated or accurately stated the costs. Please see the response to

MMA/USPS-T-22-9 (A).

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D. Since separate automation and nonautomation costs are no longer used, one

CRA Proportional Adjustment factor is used for all presort letters.

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MMA/USPS-T22-11

Please refer to Library Reference USPS-LR-L-48, pages 5, 7, 9, and 11, where you provide the mail flow models for First-Class Automation letters for each of the presort categories for 10,000 virtual pieces.

A.   Can you confirm the number of letters that are rejected in automation operations as shown in the table below? If not, please make any corrections.

Model	Rejects From Automation Operations to Manual Operations						
	Out Sec Auto	Inc MMP Auto	Inc SCF/Prime Auto	Inc Sec 1 Pass Auto	Inc Sec 2 Pass Auto	Inc Sec 3 Pass Auto	Total Rejects
MAADC	384	182	187	76	277	54	1160
AADC		402	67	78	285	55	887
3-Digit			340	79	289	56	764
5-Digit				82	299	58	439

B. Can you confirm that, as letters are processed manually further downstream, i.e., if entered as 5-digit rather than MAADC, the probability that a letter can be processed by automation from mail acceptance to delivery increases. If not, please explain.

C. Please confirm that, according to your models, the probability of a letter being processed by automation from mail acceptance to delivery is as follows:

Automation Rate Category	Automation Probability
MAADC	88.4%
AADC	91.1%
3-Digit	92.4%
5-Digit	95.6%

If you cannot confirm, please provide the correct probabilities and explain how they are derived.

D. Can you confirm that, to the extent that letters are presorted to a lesser degree, i.e., if entered as MAADC rather than 5-digit, the probability that a letter will be rejected by automation equipment and therefore must be processed manually increases? If not, please explain.

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RESPONSE MMA/USPS-T22-11:

A. Confirmed that as modeled, the number of pieces rejected are as shown.
However, I cannot confirm that the pieces rejected were actually of the presort
levels shown.

B. It can be confirmed that average acceptance rates in "downstream" operations
are generally greater than the average acceptance rates in "upstream"
operations. The automation operations likely process a different mix of single-
piece, nonauto presort and auto presort mail. I am also not aware of any
analyses that were conducted to quantify whether mail pieces that successfully
processed in "upstream" operations would be accepted in "downstream"
operations.

C. Not confirmed. See response to part A.

D. I can confirm that the probability that a letter may ultimately be rejected by
automation equipment may be higher for a letter sorted to the MAADC than a
letter sorted to 5-digit

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MMA/USPS-T22-12

Please refer to Library Reference USPS-LR-L-48, page 2, where you compute the
weighted average "proportional" unit cost for First-Class presorted letters, and to
R2005-1 Library Reference USPS-LR-K-48, page 5, where you compute the weighted
average workshare-related unit cost for First-Class automation letters. In R2005-1, you
split up Automation 5-digit letters into two categories – "CSCBS/Manual" and "other". In
this case you have only one group for Automation 5-digit. Please explain why you no
longer need two separate mail flow models to derive Automation 5-digit costs?

RESPONSE:

In R2005-1, the Automation 5-digit CSCBC/ manual cost was used as the benchmark

for the Automation Carrier route presort rate category. This is methodology was no

longer required to support the pricing witness in Docket No. R2006-1.

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MMA/USPS-T22-13

Please refer to page 1 of Library Reference USPS-LR-L-48, where you derive total mail
processing unit costs for First-Class Automated 5-digit and carrier route letters. Your
analysis indicates that 5-digit letters cost 3.625 cents whereas carrier route letters cost
2.746 cents, a difference of .879 cents.

    A. Since the Postal Service has proposed to eliminate carrier route as a separate
rate category, do you assume that all letters that are now presorted to carrier
route will be presorted to 5-digits? Please explain your answer.

    B. Assuming you confirm part (A), has the Postal Service made a separate
adjustment to its test year CRA cost estimates to account for the expected .879
cent per piece increase in mail processing costs for each of the 674 million
carrier presorted letters? If so, please explain that adjustment. If not, why not?

RESPONSE:

A. Yes. The carrier route letters are assumed to be presorted to 5-digit. See

Testimony of Altaf Taufique, USPS-T-32, page 21.

B. It is my understanding that adjustments were made to unit cost estimates.

Please refer to USPS-LR-L-59.

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MMA/USPS-T22-14

Please refer to page 16 of your testimony where you explain that you adopted R2005-1
USPS witness Hatcher's "narrowly defined cost analysis consistent with that first
presented in Docket No. R97-1." In effect, you measure cost differences between
processing handwritten addressed letters (HAND) and QBRM letters until each piece
receives its first barcoded sortation. Please also refer to Library Reference USPS-LR-
L-69, Section A, pages 3 and 5.

   A. Please confirm that in R2000-1, the Commission adopted the Postal Service's
      QBRM cost savings methodology by measuring the costs for HAND and QBRM
      letters until they reached the delivery operation. If you cannot confirm, please
      explain.
   B. Please confirm that, after its first barcoded sortation, your models indicate that
      9.72% of the HAND pieces will require manual processing until they reach the
      delivery operation. If you cannot confirm, please explain.
   C. Please confirm that, after its first barcoded sortation, your models indicate that
      4.24% of the QBRM pieces will require manual processing until they reach the
      delivery operation. If you cannot confirm, please explain.
   D. Please confirm that, after the first barcoded sortation, fewer QBRM pieces will
      require manual processing than HAND letters. If you cannot confirm, please
      explain how 95.86% of QBRM can be sent on to automation equipment, yet only
      90.38% of HAND letters can be sent on to automation equipment, but that the
      number of QBRM and HAND letters to be processed manually after the first
      barcoded sortation would be the same.
   E. Please explain why, by adopting USPS witness Hatcher's "narrow" approach
      rather than the Commission's approach, you do not completely exclude cost
      savings exhibited by QBRM that occur after the first barcoded sortation.

RESPONSE:

   A. Confirmed.

   B. Confirmed that the model indicates that 9.72 percent of HAND pieces will require

      manual processing before they reach the delivery unit.

   C. Confirmed that the model indicates that 4.24 percent of QBRM pieces will require

      manual processing before they reach the delivery unit.

   D. Confirmed that a fewer percentage of QBRM pieces will require manual handling

      than HAND pieces.

   -E Not confirmed.. The methodology for the cost study I am presenting in this case

      is unchanged from the model presented by witnesses Hatcher in R2005-1 and

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Miller in R2001-1. I do not have any further rationale beyond what was covered

in Dockets No. R2005-1, USPS-T-22, pages 4 at 5-6 and R2001-1: USPS-T-22,

Section IV" related interrogatory responses and Commission hearing transcripts.

My analysis is limited to costs incurred up to the point each mail piece (QBRM

and Hand written reply mail) receives its first barcode sortations on the BCS.

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MMA/USPS-T22-16

Please refer to Library Reference USPS-LR-L-69, Section A, pages 1 and 6, particularly where you use the CRA Adjustment Factor of 1.454 from R2005-1. Please also refer to your response to Interrogatory MMA/USPS-T22-8 in R2005-1.

- A. Please confirm that the CRA Adjustment Factor was obtained by dividing the CRA-derived workshare-related unit cost for bulk metered mail by the model-derived unit workshare-related for bulk metered mail. If you cannot confirm, please explain.
- B. Please confirm that, by definition, BMM letters and HAND letters are similar in that both are nonprebarcoded and both require processing within the RBCS and that the major difference is that BMM has a machine printed address and HAND has a handwritten address. If you cannot confirm, please explain.
- C. Please confirm that, by definition, QBRM and Automation letters are similar in that both are prebarcoded and both completely bypass the RBCS and that the major difference is that QBRM letters enter the mail stream at the mail prep operation while Automation letters enter the mailstream at later points based on the degree of presort. If you cannot confirm, please explain.
- D. Please confirm that it is appropriate to use the CRA Adjustment factor from BMM letters to increase the your [sic] model-derived unit cost for HAND letters, as shown on page 1 of Schedule A in Library Reference USPS-LR-L-69, since the models for nonprebarcoded letters (such as BMM and HAND) historically understate the CRA-derived unit costs. If you cannot confirm, please explain.
- E. Please explain why it is appropriate to use the CRA Adjustment factor from BMM letters to increase the your model-derived unit cost for QBRM letters, as shown on page 1 of Schedule A in Library Reference USPS-LR-L-69, when the models for prebarcoded letters (such as Automation letters) historically overstate the CRA-derived unit costs.

RESPONSE:

- A. Confirmed with the caveat that BMM letters CRA costs by shape actually represent, the costs for a single for all single piece metered letters, of which BMM letters is a subset.

- B. Partially confirmed. Another significant difference is that BMM is prepared in full trays.

- C. Confirmed.

- D. It can be confirmed that I have applied CRA adjustment factors in my analysis in order to be consistent with the methodology that has been used since R2001-1.

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The BMM letters CRA adjustment factor is applied to both handwritten reply mail

and QBRM because all three mail types are components of the First-Class

Single-Piece mail stream.

E. Please see the response to MMA/USPS-T-22-16 (D).

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MMA/USPS-T22-17

Please refer to Library Reference USPS-LR-L-69, Section B, page 6, where you derive
the unit counting cost for high volume QBRM.

A. Please confirm that you found from your study that, in Base Year 2005, 26.6% of
the 163.5 million high volume QBRM pieces were counted manually. If you
cannot confirm, please explain.

B. Please confirm that the Postal Service expends almost 50,000 man hours per
year hand counting QBRM letters that are received in high volumes. If you
cannot confirm, please explain.

C. Please confirm that counting by weight averaging techniques or special counting
machines is at least 12 times more efficient than counting manually. If you
cannot confirm, please explain.

D. Please explain why the Postal Service manually counts more QBRM letters
received in high volumes, than it does by weighing techniques or special counting
machines, when manual counting is only 1/12 as productive.

E. Please explain why the Postal Service counts QBRM letters by hand when it can
and does count small parcels 2.5 times faster by using weighing techniques.

RESPONSE:

A. It can be confirmed that the study showed 26.6% of high volume QBRM were

counted manually.

B. I cannot confirm as the source of the figure is unknown to me.

C. It can be confirmed that weight averaging techniques or special counting

machines can be more efficient than counting manually.

D-E Special counting machines are not available everywhere. Weight averaging may

not be appropriate in some circumstances. Also even if automation is used to

process high volume QBRM, some mail will be rejected and processed manually.

Furthermore, these decisions are made locally. If a given facility receives mail for

one QBRM customer, for example, and receives little residual QBRM, they may

determine that manual processing should be used, all things considered.

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MMA/USPS-T22-19

Please refer to Library Reference USPS-LR-L-48, pages 39 and 73, where you provide
the average mail processing hourly wage rate and premium pay adjustment factors for
First-Class and Standard mail.

  A. Please provide the average mail processing hourly wage rate for each fiscal year
     from 1998 through 2005.
  B. Please provide the average mail processing hourly wage rate projected for fiscal
     years 2006, 2007 and 2008.
  C. Please provide the premium pay adjustment factors for First-Class Presort, First-
     Class Single Piece, and Standard letters for each fiscal year from 1998 through
     2005.
  D. Please provide the premium pay adjustment factors for First-Class Presort, First-
     Class Single Piece, and Standard letters projected for fiscal years 2006, 2007,
     and 2008.

RESPONSE:

A-D. It is my understanding that wage rates are not calculated other than for base year

and test year of a rate case. Please refer to Dockets Nos. R2000-1,USPS-T-17; R2001-

1, USPS-T-13; R2005-1, USPS-T-11; and R2006-1, USPS-T-11. It is also my

understanding that test year premium adjustment factors by class are never calculated.

Please refer to premium adjustment factors in for witness Van-Ty-Smith's testimony for

the past four omnibus cases.

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MMA/USPS-T22-20

Please refer to R2005-1 Library Reference USPS-LR-K-48, pages 2, 6, 20, 61 and 62, and R2006-1 Library Reference USPS-LR-L-48, pages 3 and 45. These pages show how you derived the CRA proportional and fixed unit costs for the 2006 test year in R2005-1 and the 2008 test year in R2006-1.

A. For cost pool "SPBS OTH", please confirm that you have categorized such costs as shown in the table below. If you cannot confirm, please explain.

Cost Pool	Docket No.	Rate Category	Cost Pool Category
SPBS OTH	R2005-1	First Class Metered	Fixed
SPBS OTH	R2005-1	First Class Automation	Fixed
SPBS OTH	R2005-1	First Class NonAutomation	Fixed
SPBS OTH	R2005-1	Standard Automation	Fixed
SPBS OTH	R2005-1	Standard NonAutomation	Proportional
SPBS OTH	R2006-1	First Class Presorted	Fixed
SPBS OTH	R2006-1	Standard Presorted	Proportional

B. Please explain why these costs were classified as fixed for all First-Class categories and Standard Automation but were classified as proportional for Standard Nonautomation in R2005-1.

C. Please explain why these costs are classified as fixed for First Class Presorted but classified as proportional for Standard Presorted in R2006-1.

D. Are costs reported in cost pool "SPBS OTH" fixed or proportional? Please explain your answer.

RESPONSE:

A. Confirmed.

B. The SPBS OTH cost pool contains the costs related to Small Parcel and Bundle Sorter (SPBS) bundle sorting operations at MODS facilities. The SPBS is not typically used to process First-Class Mail letter bundles. It is, however, used to process Standard letters bundles. Standard nonautomation presort letter trays can contain bundles and bundle sorting costs were included in the cost model :

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therefore a "worksharing related proportional" classification was used. Standard

Automation presort trays should not contain bundles.

C. The MODS operation numbers mapped to this cost pool represent operations

used to process Standard mail.

D. For the classification of the SPBS OTH cost pool, please refer to USPS-LR-L-48,

pages 3 and 45.

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MMA/USPS-T22-21

Please refer to R2005-1 Library Reference USPS-LR-K-48, pages 2, 6, 20, 61 and 62,
and R2006-1 Library Reference USPS-LR-L-48, pages 3 and 45. These pages show
how you derived the CRA proportional and fixed unit costs for the 2006 test year in
R2005-1 and the 2008 test year in R2006-1.

A. For cost pool "SPBSPRIO", please confirm that you have classified such costs as
shown in the table below. If you cannot confirm, please explain.

Cost Pool	Docket No.	Rate Category	Cost Pool Category
SPBSPRIO	R2005-1	First Class Metered	Fixed
SPBSPRIO	R2005-1	First Class Automation	Fixed
SPBSPRIO	R2005-1	First Class NonAutomation	Fixed
SPBSPRIO	R2005-1	Standard NonAutomation	Fixed
SPBSPRIO	R2005-1	Standard Automation	Fixed
SPBSPRIO	R2006-1	First Class Presorted	Fixed
SPBSPRIO	R2006-1	Standard Presorted	Proportional

B. Please explain why these costs were classified as fixed for all First Class and
Standard categories in R2005-1 while in R2006-1 these costs are classified as
fixed for First Class Presorted but as proportional for Standard Presorted.
C. Are costs reported in cost pool "SPBSPRIO" fixed or proportional? Please
explain your answer.

RESPONSE:

A. Not confirmed. In Docket No.R2005-1, the SPBSPRIO was classified

"nonworksharing related fixed" cost pool for all categories.

B. See the response to part A. It is my understanding that the SPBS is used to sort

Priority Mail packages or Periodicals/Standard Mail bundles. Only a very small

fraction of Standard Mail nonauto letters are entered in bundles. Both the First-

Class Mail cards/letters and the Standard Mail letter models assume that

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nonautomation bundles are processed manually. This is most likely given the small volume of nonautomation letter bundles and the fact that the SPBS can be used to separate mail based on the next flats piece distribution operations. If a SPBS is being used to sort Standard Mail to the 5-digit level it is possible that some 5-digit nonauto letter volumes might also be processed with the flats. That volume, however, is likely very small. Although the Standard Mail letters cost model does not model SPBS operations, the SPBS cost pools were classified as proportional because those costs could have been included, had there been data available to use. No data exist, however, that could be used to quantify the percentage processed on the SPBS versus the percentage processed manually. First-Class Mail nonautomation letters, on the other hand, are not as likely to be processed with Priority Mail packages on the SPBS due to the service differences that exist between these two mail types.

C. For the classification of the SPBSPRIO cost pool, please refer to USPS-LR-L-48, pages 3 and 45.

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MMA/USPS-T22-22

Please refer to R2005-1 Library Reference USPS-LR-K-48, pages 2, 6, 20, 61 and 62, and R2006-1 Library Reference USPS-LR-L-48, pages 3 and 45. These pages show how you derived the CRA proportional and fixed unit costs for test year 2006 in R2005-1 and test year 2008 in R2006-1.

A. For cost pool "1OPBULK", please confirm that you have classified such costs as shown in the table below. If you cannot confirm, please explain.

Cost Pool	Docket No.	Rate Category	Cost Pool Category
1OPBULK	R2005-1	First Class Metered	Fixed
1OPBULK	R2005-1	First Class Automation	Fixed
1OPBULK	R2005-1	First Class NonAutomation	Proportional
1OPBULK	R2005-1	Standard Automation	Fixed
1OPBULK	R2005-1	Standard NonAutomation	Proportional
1OPBULK	R2006-1	First Class Presorted	Proportional
1OPBULK	R2006-1	Standard Presorted	Proportional

B. Please explain why these costs were classified in R2005-1 as fixed for First-Class Metered and Automation letters, as fixed for Standard Automation letters but as proportional for First Class NonAutomation and Standard NonAutomation letters.

C. Please explain why these costs were classified as fixed for some categories in R2005-1 but are classified as proportional for First Class Presorted and Standard Presorted in R2006-1.

D. Are costs reported in cost pool "1OPBULK" fixed or proportional? Please explain your answer.

RESPONSE:

A.   Not confirmed. In Docket No. R2005-1, the 1OPBULK cost pool for Metered,

First Class Mail auto presort letters and Standard Regular auto presort letters

were classified as "workshared related fixed". For First-Class Mail and Standard

non auto, the "worksharing related proportional" classification was used. In this docket, 10PBULK cost pools are classified as proportional.

B-C. The 1OPBULK cost pools are now classified as proportional because the Docket No. R2005-1 nonauto classifications for these cost pools were "worksharing related proportional". The cost by shape estimate used in the instant proceeding is for all presort letters (auto and nonauto combined). Since some of the mail flows through the operation underlying this cost pool, the costs are modeled and therefore the cost pool is classified as proportional. In Docket No. R2005-1, separate cost by shape estimates were used for auto presort letters and nonauto presort letters.

D. For the classification of the 1OPBULK cost pool, please refer to USPS-LR-L-48, pages 3 and 45.

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MMA/USPS-T22-23

Please refer to R2005-1 Library Reference USPS-LR-K-48, pages 2, 6, 20, 61 and 62,
and R2006-1 Library Reference USPS-LR-L-48, pages 3 and 45. These pages show
how you derived the CRA proportional and fixed unit costs for the 2006 test year in
R2005-1 and the 2008 test year in R2006-1.

A. For cost pool "1OPPREF", please confirm that you have classified such costs as
shown in the table below. If you cannot confirm, please explain.

Cost Pool	Docket No.	Rate Category	Cost Pool Category
1OPPREF	R2005-1	First Class Metered	Fixed
1OPPREF	R2005-1	First Class Automation	Fixed
1OPPREF	R2005-1	First Class NonAutomation	Proportional
1OPPREF	R2005-1	Standard Automation	Fixed
1OPPREF	R2005-1	Standard NonAutomation	Proportional
1OPPREF	R2006-1	First Class Presorted	Proportional
1OPPREF	R2006-1	Standard Presorted	Proportional

B. Please explain why these costs were classified in R2005-1 as fixed for First-
Class Metered and Automation letters and Standard Automation but were
classified as proportional for First Class and Standard NonAutomation.
C. Please explain why these costs were fixed for some categories in R2005-1 but
are classified as proportional for First-Class Presorted and Standard Presorted in
R2006-1.
D. Are costs reported in cost pool "1OPPREF" fixed or proportional? Please explain
your answer.

RESPONSE:

B. Not confirmed. In Docket No. R2005-1, the 1OPPREF cost pool for Metered,

First Class Mail auto presort letters and Standard Regular auto presort letters

were classified as "workshared related fixed". For First-Class Mail and Standard

non auto, the "worksharing related proportional" classification was used. In this docket, 1OPPREF cost pools are classified as proportional.

B-C The 1OPPREF cost pools are now classified as proportional because the Docket No. R2005-1 nonauto classifications for these cost pools were "worksharing related proportional". The cost by shape estimate used in the instant proceeding is for all presort letters (auto and nonauto combined). Since some of the mail flows through the operation underlying this cost pool, the costs are modeled and therefore the cost pool is classified as proportional. In Docket No. R2005-1, separate cost by shape estimates were used for auto presort letters and nonauto presort letters.

D. For the classification of the 1OPPREF cost pool, please refer to USPS-LR-L-48, pages 3 and 45.

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MMA/USPS-T22-24

Please refer to R2005-1 Library Reference USPS-LR-K-48, pages 2, 6, 20, 61 and 62, and R2006-1 Library Reference USPS-LR-L-48, pages 3 and 45. These pages show how you derived the CRA proportional and fixed unit costs for the 2006 test year in R2005-1 and the 2008 test year in R2006-1.

  A. For cost pool "1POUCHING", please confirm that you have classified such costs as shown in the table below. If you cannot confirm, please explain.

Cost Pool	Docket No.	Rate Category	Cost Pool Category
1POUCHNG	R2005-1	First Class Metered	Fixed
1POUCHNG	R2005-1	First Class Automation	Fixed
1POUCHNG	R2005-1	First Class NonAutomation	Proportional
1POUCHNG	R2005-1	Standard Automation	Fixed
1POUCHNG	R2005-1	Standard NonAutomation	Proportional
1POUCHNG	R2006-1	First Class Presorted	Proportional
1POUCHNG	R2006-1	Standard Presorted	Proportional

  B. Please explain why these costs were classified as in R2005-1 fixed for First-Class Metered and Automation letters and for Standard Automation but classified as proportional for First Class and Standard NonAutomation.
  C. Please explain why these costs were classified as fixed for some categories in R2005-1 but classified as proportional for First-Class Presorted and Standard Presorted in R2006-1.
  D. Are costs reported in cost pool "1POUCHING" fixed or proportional? Please explain your answer.

RESPONSE:

  C. Not confirmed. In Docket No. R2005-1, the 1POUCHING cost pool for Metered,

    First Class Mail auto presort letters and Standard Regular auto presort letters

    were classified as "workshared related fixed". For First-Class Mail and Standard

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non auto, the "worksharing related proportional" classification was used. In this
docket, 1POUCHING cost pools are classified as proportional.

B-C The 1POUCHING cost pools are now classified as proportional because the
Docket No. R2005-1 nonauto classifications for these cost pools were
"worksharing related proportional". The cost by shape estimate used in the
instant proceeding is for all presort letters (auto and nonauto combined). Since
some of the mail flows through the operation underlying this cost pool, the costs
are modeled and therefore the cost pool is classified as proportional. In Docket
No. R2005-1, separate cost by shape estimates were used for auto presort
letters and nonauto presort letters.

D. For the classification of the 1POUCHING cost pool, please refer to USPS-LR-L-48
pages 3 and 45.

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MMA/USPS-T22-25

Please refer to R2005-1 Library Reference USPS-LR-K-48, pages 2, 6, 20, 61 and 62,
and Library Reference USPS-LR-L-48, pages 3 and 45. These pages show how you
derived the CRA proportional and fixed unit costs for test year 2006 in R2001-1and test
year 2008 in R2006-1.

    A. For cost pool "1PRESORT", please confirm that you have classified such costs
       as shown in the table below. If you cannot confirm, please explain.

Cost Pool	Docket No.	Rate Category	Cost Pool Category
1PRESORT	R2005-1	First Class Metered	Fixed
1PRESORT	R2005-1	First Class Automation	Fixed
1PRESORT	R2005-1	First Class NonAutomation	Proportional
1PRESORT	R2005-1	Standard Automation	Fixed
1PRESORT	R2005-1	Standard NonAutomation	Fixed
1PRESORT	R2006-1	First Class Presorted	Fixed
1PRESORT	R2006-1	Standard Presorted	Fixed

    B. Please explain why these costs were classified as proportional for First-Class
       NonAutomation letters in R2005-1 but classified as fixed for all other categories
       in R2005-1 and classified as fixed for all categories in R2006.
    C. Are costs reported in cost pool "1 PRESORT" fixed or proportional? Please
       explain your answer.

RESPONSE:

A. Not confirmed. In R2005-1, all classifications should have been "worksharing

related fixed".

B. Please see the response to part A.

C. For the classification of the 1PRESORT cost pool, please refer to USPS-LR-L-

48, pages 3 and 45.

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MMA/USPS-T22-26

Please refer to R2005-1 Library Reference USPS-LR-K-48, pages 2, 6, 20, 61 and 62,
and R2006-1 Library Reference USPS-LR-L-48, pages 3 and 45. These pages show
how you derived the CRA proportional and fixed unit costs for test year 2006 in R2001-
1and test year 2008 in R2006-1.

A. For cost pool "SPB", please confirm that you have classified such costs as shown
in the table below. If you cannot confirm, please explain.

Cost Pool	Docket No.	Rate Category	Cost Pool Category
SPB	R2005-1	Standard Automation	Fixed
SPB	R2005-1	Standard NonAutomation	Proportional
SPB	R2006-1	Standard Presorted	Proportional

B. Please explain why these costs were classified as fixed for Standard Automation
and as proportional for Standard NonAutomation in R2005-1 but are classified as
proportional for Standard Automation and NonAutomation combined in R2006-1.
C. Are costs reported in cost pool "SPB" fixed or proportional? Please explain your
answer.

RESPONSE:

A. Not confirmed. In Docket No. R2005-1, the SPB cost pool for Standard Regular

presort Auto was classified as worksharing related fixed and for Standard

Regular presort non auto was classified as worksharing related proportional.

B. The SPB costs are classified as proportional because the Docket No. R2005-1

nonauto classifications for these cost pools was worksharing related proportional.

The cost by shape estimate used in the instant proceeding is for all presort letters

(auto and nonauto combined). Since some of the mail flows through the

operation underlying this cost pool, the costs are modeled and therefore the cost

pool is classified as proportional. In Docket No. R2005-1, separate cost by

shape estimates were used for auto presort letters and nonauto presort letters.

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C. For the classification of the SPB cost pool, please refer to USPS-LR-L-48, pages

3 and 45.

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MMA/USPS-T22-36

Please refer to your response to Interrogatory MMA/USPS-T22-1 where you
do not confirm that your "fixed" cost pools (which you state are beyond the
scope of your models) do not vary with the level to which mail is presorted.

A. Please provide a list of your "fixed" cost pools that could vary based upon
the degree of presort.

B. For each cost pool listed in response to Part (A), please provide your
reason(s) as to why the cost pool could vary with the degree of presort.

C. Is there any empirical data to support your cost pool classifications in
terms of whether or not they vary with the degree of presort? If so, please
provide that data as well as any studies or workpapers associated with
that data.

Response:

A. The "fixed" cost pools represent tasks that have not been modeled. It is

possible that some costs within those cost pools vary for mail of different

presort levels, but I have not studied them.

B-C. Please see my response to A.

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B. MMA/USPS-T22-37

Please refer to your response to Interrogatory MMA/USPS-T22-3(A) where
you confirmed that you classified cost pools in this case in the exact same
manner as you did in R2005-1.

A. Please confirm that you did in fact make changes as shown in the shaded
areas of the table below. If you cannot confirm these changes, please
explain.

Cost Pool	Presort Rate Category	Cost Pool Classification	
		R2005-1	R2006-1
1OPBULK	NonAutomation	Proportional	Proportional
1OPBULK	Automation	Worksharing-Related, Fixed	Proportional
1OPPREF	NonAutomation	Proportional	Proportional
1OPPREF	Automation	Worksharing-Related, Fixed	Proportional
1POUCHNG	NonAutomation	Proportional	Proportional
1POUCHNG	Automation	Worksharing-Related, Fixed	Proportional
1PRESORT	NonAutomation	Proportional	Fixed
1PRESORT	Automation	Worksharing-Related, Fixed	Fixed

Sources: R2005-1 USPS-LR-K-48, pages 6, 20, USPS-
LR-L-48, p.3

B. Please confirm that your decision to combine CRA costs for Automation
and Nonautomation letters necessitated that where costs pools were
classified differently for Automation and Nonautomation in R2005-1, you

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had to make a decision as to whether the cost pools for Automation and
Nonautomation combined would be classified as either proportional or
fixed in this case.

C. Where particular cost pools were classified differently for NonAutomation
letters and Automation letters in R2005-1, such as for the cost pools
shown in Part (A), please explain why you chose to classify them either as
proportional or fixed in this case.

Response:

A. It is difficult to confirm the question because auto and nonauto costs are
now combined in the cost by shape estimate that I obtain from witness
Smith. I use the nonauto cost pool classifications because the nonauto
models contain bundle sorting costs that are contained in the cost pools in
the table. Those cost pools are therefore classified as proportional when
the auto and nonauto models are aggregated together and compared to
the mail processing unit cost by shape estimate. For the 1PRESORT cost
pool, please refer to MMA/USPS-T22-25 where it is explained that the
R2005-1 classification of this cost pool was in error.

B. Confirmed.

C. Please refer to the response to A.

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MMA/USPS-T22-38

Please refer to your response to Interrogatory MMA/USPS-T22-4 where you
were asked to confirm the derived total unit cost and proportional unit cost for
First-Class single piece letters. In parts (A) and (B) you do not confirm the
computations requested, but then you agree that the computations are correct.
You also confirm the conclusions from those computations as requested in parts
(C), (D), (E) and (F). Please explain specifically why you failed to confirm parts
(A) and (B).

Response:

In response to MMA/USPS-T22-4, parts A and B, I confirmed the total unit costs

and the proportional unit costs were as stated in the question when developed as

described. The hesitation in providing an unqualified "Confirmed" was due to the

fact that because the CRA cost for First Class single piece letters is available.

there is no reason to model the cost or drive a proportional unit cost.

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MMA/USPS-T22-39

Please refer to your response to Interrogatory MMA/USPS-T22-7(A) where you
indicate that there is no conclusive evidence to suggest that the DPS
percentages (DPS %s) actually vary among the machinable rate categories.

A. Please confirm that, in R2005-1, your machinable letter models produced
results showing that DPS %s varied among the rate categories according
to the degree of presort and that the finer the degree of presort, the higher
the DPS %. If you cannot confirm, please explain.

B. Please confirm that, in R2001-1 and R2000-1, USPS witness Miller's
machinable letter models provided results that showed DPS %s varied
among the rate categories according to the degree of presort and that his
analyses showed that the finer the degree of presort, the higher the DPS
%. If you cannot confirm, please explain.

Response:

A –B. Confirmed that the models in those cases produced DPS percentages as

byproducts of the models and that in those rate cases, those byproducts were

used as indicative of the DPS percentages for the different degrees of presort.

The DPS percentages that have been calculated in the past were a byproduct of

various inputs to the letter model. Please refer to the response to MMA/USPS-

T22-7 and MMA/USPS-T42-7.

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MMA/USPS-T22-41

Please refer to your response to Interrogatory MMA/USPS-T22-8(C) where you would not confirm that, since R2001-1, the BMM model-derived unit costs understated the BMM CRA-derived unit costs as shown in the following table:

Docket No.	Bulk Metered Mail			
	CRA Cost	Model Cost	Prop Factor	Model % Under-estimate
R2000-1 (1998)	6.979	5.269	1.3245	-25%
R2000-1 (1999)	6.856	5.407	1.2680	-21%
R2001-1	6.447	4.276	1.5077	-34%
R2005-1	6.476	4.454	1.4540	-31%

A. Please confirm that the title on page 2 of R2005-1 Library Reference USPS-LR-K-48 reads "FIRST CLASS MAIL BULK METERED LETTERS" just above where you derive the CRA mail processing unit cost. If you cannot confirm, please explain.

B. Please confirm that the title on page 3 of R2005-1 Library Reference USPS-LR-K-48 reads "FIRST CLASS MAIL BULK METERED MAIL COST SHEET" just above where you derive the model-derived unit cost. If you cannot confirm, please explain.

C. Please confirm that the title on page 8 of R2001-1 Library Reference USPS-LR-J-60, (Revised 11/5/01) reads "BULK METERED" just above where USPS witness Miller derived the CRA mail processing unit cost. If you cannot confirm, please explain.

D. Please confirm that the title on page 15 of R2001-1 Library Reference USPS-LR-J-60, (Revised 11/5/01) reads "BULK FIRST CLASS METERED MAIL (BMM) LETTERS" just above where USPS witness Miller derived the model-derived mail processing unit cost. If you cannot confirm, please explain.

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E. Please confirm that the title on page I-7 of R2000-1 Library Reference USPS-LR-I-162, reads "BULK METERED MAIL LETTERS" just above where USPS witness Miller derived the CRA mail processing unit cost. If you cannot confirm, please explain.

F. Please confirm that the title on page I-16 of R2000-1 Library Reference USPS-LR-I-162, reads "FIRST CLASS METERED" just above where USPS witness Miller derived the model-derived mail processing unit cost. If you cannot confirm, please explain.

G. Do any of the unit cost figures shown in the table above refer to a rate category that is something other than the Postal Service's benchmark defined as bulk metered mail? If not, please explain specifically how this is not so.

H. Can you confirm that, in each of the last three cases, as shown in the table above, the model-derived unit cost for the benchmark bulk metered mail rate category was lower than the CRA-derived unit cost that was derived for the benchmark bulk metered mail rate category? If you cannot confirm, please explain.

I. Please confirm that, in R2000-1, R2001-1 and R2005-1, you and USPS witness Miller increased the model-derived unit costs for hand addressed letters by the CRA Proportional Adjustment Factor derived from the figures shown in the table above. If you cannot confirm, please explain.

Response:

A. Confirmed.

B. Confirmed.

C. Confirmed.

D. Confirmed.

E. Confirmed.

F. Confirmed.

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G. First, the BMM letters cost estimate is not being used as a benchmark in this case. Second, BMM letters is not a rate category. BMM letters is one element of the First-Class Mail single-piece rate category. Third, the costs listed under the heading "CRA cost" reflect the costs for First-Class single-piece metered letters in total, which includes both BMM letters and metered letter bundles. That cost estimate has historically been used as a proxy for BMM letters because IOCS cannot be used to isolate a cost for BMM letters.

H. Confirmed.

I. Neither I nor witness Miller was the BRM witness in Docket No. R2005-1. Witness Hatcher was the BRM witness in Docket No. R2005-1. It can be confirmed, however, that BMM Proportional Adjustment Factor was applied to modeled cost of Handwritten Reply mail in the past three cases to develop QBRM cost savings estimates.

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MMA/USPS-T22-42

Please refer to your response to Interrogatory MMA/USPS-T22-8 (E) where
state that you inserted updated inputs into your mail flow models and cost
sheets. Other than updating the input parameters and combining the CRA
costs for Automation and Nonautomation letters, were there any structural
changes or improvements made to the mail flow models that were intended to
improve the accuracy and quality of the model-derived unit costs? If so,
please identify each change and explain each change, the reason for the
change, and the expected improvement from each such change.

Response:

Since the letter mail processing technology had remained the same since the

Docket No. R2005-1 models were developed, the inputs to the mail flow

models were updated but no structural changes were made to the mail flow

models.

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MMA/USPS-T22-43

Please refer to your response to Interrogatory MMA/USPS-T22-9, Parts (A)
and (B) where you would not confirm that, since R2001-1, the Automation
models overstate the CRA costs that you indicated for Automation letters as
shown in the following table:

Docket No.	Automation Letters			
	CRA Cost	Model Cost	Prop Factor	Model % Over-estimate
R2000-1 (1998)	2.553	2.866	0.891	12%
R2000-1 (1999)	2.63	2.923	0.900	11%
R2001-1	2.138	2.683	0.797	25%
R2005-1	1.886	2.668	0.707	41%

Please confirm that since R2000-1, you and USPS witness Miller nonetheless
decreased the model-derived First-Class Automation unit costs for each
presort category by the CRA Proportional Adjustment Factor derived from the
figures shown in the table above. If you cannot confirm, please explain.

Response:

It can be confirmed that figures presented in the table are correct. However, it
cannot be confirmed the purpose of the Proportional Adjustment factor is to
drive down the modeled costs. The purpose of the Proportional Adjustment
factor is to bring the modeled costs into alignment with the CRA costs.
Please refer to MMA/USPS-T22-9, Part (A).

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MMA/USPS-T22-44

Please refer to Library Reference USPS-LR-L48, page 2, where you derive a
CRA Proportional Adjustment Factor of 1.013, indicating that your model-
derived unit cost and your CRA-derived unit cost for First-Class presorted
letters are quite close. Please confirm that the reason why your model-
derived unit cost for presorted letters is so close to your CRA-derived unit
cost is either (1) the overstatement in the model-derived costs for
Nonautomation letters offsets the understatement in the model-derived costs
for Automation letters, or (2) the CRA has attributed more costs to presorted
letters than it did in previous cases or (3) a combination of both (1) and (2).
Please explain your answer in detail. If you believe that your model-derived
unit cost for Nonautomation letters does not understate the actual cost,
please state so.

Response:

Not confirmed. The cost models are used because actual costs are not

available. I cannot confirm that the models overstate or understate actual

costs. Please see MMA/USPS-T22-9A. In addition, the changes to IOCS

between base years 2004 and 2005 could have led to changes in the CRA

unit cost for letters, bringing it more in line with the results of my model. As I

said in the response to POIR 1, question 1a in Docket No. R2005-1, the

costs for auto and nonauto were both suspect, so there was uncertainty

about the quality of the disaggregated unit costs.

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MMA/USPS-T22-45

Please refer to your response to Interrogatory MMA/USPS-T22-11 (A).
There you confirmed the number of rejects from automation to manual
operations shown in the table included in the referenced interrogatory, but
you qualified your response by stating "I cannot confirm that the pieces
rejected were actually of the presort levels shown." Can you confirm that
the number of rejects shown in that table originated from the mail flow model
each presort level? If yes, please explain why you could not confirm the
model's projection of rejected pieces in the first place? If no, please explain
why you cannot confirm that the number of rejects shown are from each
presort level.

Response:

Confirmed. However, the reject rates in the models reflect average rates for

all mail pieces processed through a given operation, regardless of the class

and/or rate category. The chart in 11A implies that I know the distribution of

rejects by presort level, but I have no information that would provide that

distribution.

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MMA/USPS-T22-46

Please refer to your response to Interrogatory MMA/USPS-T22-11(C). There
you did not confirm that, according to your models, the probability of a letter
being processed by automation from mail acceptance to delivery is as
follows:

Automation Rate Category	Automation Probability
MAADC	88.4%
AADC	91.1%
3-Digit	92.4%
5-Digit	95.6%

Please note that the probabilities in the table above were derived from the
specific reject rates you confirmed in response to Part A of that interrogatory.
Please explain specifically why you cannot confirm that, according to each of
your models, the probability percentages shown above correctly reflect what
the models indicate at each presort level?

Response:

It can be confirmed that the cost models show that the percentage of mail
processed through automation operations reflects the data in the table, but
this is not the same as trying to estimate the probability that a given mail
piece from a specific rate category is successfully processed through
automation. Such determination could not be accurately made without more
rate category specific data (e.g., acceptance rates). The fact that the
percentages in the table (from the models) may not reflect the actual
probabilities for a given rate category is the type of reason why we apply
CRA proportional adjustment factors. Please see my responses to
MMA/USPS-T22-7A and MMA/USPS-T22-45.

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MMA/USPS-T22-47

Please refer to your response to Interrogatory MMA/USPS-T22-20 where you discuss the classification of cost pool "SPBS OTH". In Part (A) of that interrogatory, you failed to confirm the classifications in the following table, claiming that all the costs in R2005-1 were classified as either "nonworksharing related fixed" or "worksharing related fixed":

Cost Pool	Docket No.	Rate Category	Cost Pool Category
SPBS OTH	R2005-1	First Class Metered	Fixed
SPBS OTH	R2005-1	First Class Automation	Fixed
SPBS OTH	R2005-1	First Class NonAutomation	Fixed
SPBS OTH	R2005-1	Standard Automation	Fixed
SPBS OTH	R2005-1	Standard NonAutomation	Proportional
SPBS OTH	R2006-1	First Class Presorted	Fixed
SPBS OTH	R2006-1	Standard Presorted	Proportional

A. Please explain how the cost pool "SPBS OTH" is not classified as proportional when, as shown page 61 of R2005-1 Library Reference USPS-LR-K-48, the unit cost of .122 is clearly indicated under the column headed "WRP MP UNIT COSTS."

B. Assuming that you confirm that the cost pool "SPBS OTH" was classified as workshared-related proportional in R2005-1 for Standard Nonautomation letters, please explain why these costs were classified as fixed for all First-Class categories and Standard Automation but were classified as proportional for Standard Nonautomation in R2005-1.

C. Is it your position that, if costs are measured within a cost pool that should not be incurred, such costs cannot be classified as proportional? Please explain your answer.

D. Is the reason why you did not confirm the original statement in Part (A) of Interrogatory MMA/USPS-T22-20 related to use of the word "fixed" without qualification, because you have two definitions for

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"fixed", i.e., with workshared-related fixed or nonworkshared-related fixed? If no, please explain precisely why you could not confirm the statement in Part (A) of Interrogatory MMA/USPS-T22-20

Response:

A. It can be confirmed that for Standard Mail nonauto, the cost pool "SPBS OTH" was classified as proportional, as shown on page 61 of R2005-1 Library Reference USPS-LR-K-48. A revised response to MMA/USPS-T22-20A will be filed.

B. Please see my response to MMA/USPS-T22-20 (B).

C. Yes. I do not model costs of all possible mail processing operations. My models utilize the mail flows that Operations analysts inform me are standard or common practices. The cost pool classifications are based on the operations/tasks mapped to the given cost pools, as described in USPS-LR-L-55.

D. Yes.

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MMA/USPS-T22-48

Please refer to your response to Interrogatory MMA/USPS-T22-21 where you discuss the classification of cost pool SPBSPRIO. In Part (A) of that interrogatory, you failed to confirm the classifications in the following table:

Cost Pool	Docket No.	Rate Category	Cost Pool Category
SPBSPRIO	R2005-1	First Class Metered	Fixed
SPBSPRIO	R2005-1	First Class Automation	Fixed
SPBSPRIO	R2005-1	First Class NonAutomation	Fixed
SPBSPRIO	R2005-1	Standard NonAutomation	Fixed
SPBSPRIO	R2005-1	Standard Automation	Fixed
SPBSPRIO	R2006-1	First Class Presorted	Fixed
SPBSPRIO	R2006-1	Standard Presorted	Proportional

A. Do you classify these costs in R2006-1 as proportional for Standard Nonautomation and as fixed for First-Class Nonautomation because Standard Nonautomation is likely to incur such costs but First-Class Nonautomation is not?

B. Is the reason why you did not confirm the R2005-1 classifications in the above table related to use of the word "fixed" without qualification, because you have two definitions for "fixed," i.e., workshared-related fixed and nonworkshared-related fixed? If no, please explain precisely why you could not confirm the classifications in the above table.

Response:

A. Yes. Please refer to my response to MMA/USPS-T22-21 (B).

B. Yes.

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MMA/USPS-T22-49

Please refer to your response to Interrogatory MMA/USPS-T22-22. Part (A) of that interrogatory you failed to confirm the cost classifications shown in the following table:

Cost Pool	Docket No.	Rate Category	Cost Pool Category
1OPBULK	R2005-1	First Class Metered	Fixed
1OPBULK	R2005-1	First Class Automation	Fixed
1OPBULK	R2005-1	First Class NonAutomation	Proportional
1OPBULK	R2005-1	Standard Automation	Fixed
1OPBULK	R2005-1	Standard NonAutomation	Proportional
1OPBULK	R2006-1	First Class Presorted	Proportional
1OPBULK	R2006-1	Standard Presorted	Proportional

A. In response to Part (A) of that interrogatory, you indicate that cost pool "1OPBULK" was classified as workshared-related **fixed** for Standard Nonautomation letters in R2005-1. Then, in the next sentence, you indicate that such costs were classified as workshared-related **proportional** for "Standard non auto" in R2005-1. Which is correct? Can you now confirm the classifications shown in the table above? If not, why not?

B. Is the reason why you could not confirm the classifications in the table above related to use of the word "fixed" without qualification, because you have two definitions for "fixed", i.e. workshared-related fixed and nonworkshared-related fixed? If no, please explain precisely why you could not confirm the classifications in the table above.

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Response to MMA/USPS-T22-49:

A. The response should have said "workshare related fixed" for Standard Regular Auto. I did say in the second sentence that the costs were proportional for Standard Regular Nonauto. I confirm the classifications shown on the table. A revised response to MMA/USPS-T22-22A will be filed.

B. Yes.

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MMA/USPS-T22-50

Please refer to your response to Interrogatory MMA/USPS-T22-23. In Part
(A) of that interrogatory, you failed to confirm the classifications in the
following table:

Cost Pool	Docket No.	Rate Category	Cost Pool Category
1OPPREF	R2005-1	First Class Metered	Fixed
1OPPREF	R2005-1	First Class Automation	Fixed
1OPPREF	R2005-1	First Class NonAutomation	Proportional
1OPPREF	R2005-1	Standard Automation	Fixed
1OPPREF	R2005-1	Standard NonAutomation	Proportional
1OPPREF	R2006-1	First Class Presorted	Proportional
1OPPREF	R2006-1	Standard Presorted	Proportional

A. In response to Part (A) of that interrogatory, you indicate that the cost
pool "1OPPREF" was classified as workshared-related **fixed** for
Standard Nonautomation letters in R2005-1. Then in the next sentence
you indicate that such costs were classified as workshared-related
proportional for "Standard non auto" in R2005-1. Which is correct?
Can you now confirm the classifications shown in the above table? If not,
why not?

B. Is the reason why you could not confirm the classifications in the
table above related to use of the word "fixed" without qualification,
because you have two definitions for "fixed", i.e., workshared-related
fixed and nonworkshared-related fixed? If no, please explain
precisely why you could not confirm the classifications in the table
above.

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Response to MMA/USPS-T22-50:

A. The response should have said "workshare related fixed" for Standard Regular Auto. I did say in the second sentence that the costs were proportional for Standard Regular Nonauto. I confirm the classifications shown on the table. A revised response to MMA/USPS-T22-23A will be filed.

B. Yes.

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MMA/USPS-T22-51

Please refer to your response to Interrogatory MMA/USPS-T22-24. In Part (A)
of that interrogatory, you failed to confirm the classifications in the following
table:

Cost Pool	Docket No.	Rate Category	Cost Pool Category
1POUCHNG	R2005-1	First Class Metered	Fixed
1POUCHNG	R2005-1	First Class Automation	Fixed
1POUCHNG	R2005-1	First Class NonAutomation	Proportional
1POUCHNG	R2005-1	Standard Automation	Fixed
1POUCHNG	R2005-1	Standard NonAutomation	Proportional
1POUCHNG	R2006-1	First Class Presorted	Proportional
1POUCHNG	R2006-1	Standard Presorted	Proportional

A. In response to Part (A) you indicate that the cost pool "1POUCHING" was
classified as workshared-related **fixed** for "Standard Regular Nonauto
presort letters" in R2005-1. Then in the next sentence you indicate that
such costs were classified as workshared-related **proportional** for
"Standard non auto" in R2005-1. Which is correct? Can you now confirm
the classifications shown in the table above? If not, why not?

B. Is the reason why you did not confirm the classifications in the table
above related to use of the word "fixed" without qualification, because
you have two definitions for "fixed", i.e., workshared-related fixed and
nonworkshared-related fixed? If no, please explain precisely why
you could not confirm the classifications in the table above.

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Response to MMA/USPS-T22-51:

A. The response should have said "workshare related fixed" for

   Standard Regular Auto. I did say in the second sentence that the

   costs were proportional for Standard Regular Nonauto. I confirm the

   classifications shown on the table. A revised response to

   MMA/USPS-T22-24A will be filed.

B. Yes.

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MMA/USPS-T22-52

Please refer to your response to Interrogatory MMA/USPS-T22-26. In part
(A) of that interrogatory, you failed to confirm the classifications in the
following table:

Cost Pool	Docket No.	Rate Category	Cost Pool Category
SPB	R2005-1	Standard Automation	Fixed
SPB	R2005-1	Standard NonAutomation	Proportional
SPB	R2006-1	Standard Presorted	Proportional

Is the reason why you did not confirm the classifications in the table above
related to use of the word "fixed" without qualification, because you have
two definitions for "fixed", i.e., workshared-related fixed and nonworkshared-
related fixed? If no, please explain precisely why you cannot confirm the
classifications in the table above.

Response:

Yes.

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MMA/USPS-T22-53

Please refer to your revised responses to Interrogatory MMA/USPS-T22-2 (E)
and (F), 3 (C), (E) and (F), and 4 (D) and (E). In each of those answers you
claim that CRA cost changes from R2005-1 TY 2006 and R2006-1 TY 2008
cannot be properly compared because "there was a change to the method
used to collect and assign IOCS tallies." On the other hand you did confirm the
percentages shown a table that is reproduced for your convenience below:

Letter Rate Category	Total Unit Cost			"Proportional" Unit Cost		
	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase
Single Piece	11.42	12.02	5.3%	7.16	7.66	7 0%
Presorted	4.12	4.59	11.4%	2.41	2.80	16 2%
Standard Presorted	4.34	4.06	-6.5%	2.53	2.40	-5 1%

A. Is it your position that, even though the CRA data indicates that total unit
costs have increased much more for First-Class presorted letters (11.4%)
than for First-Class single piece letters (5.3%), actual costs probably did not
increase by those amounts? Please explain your answer.

B. Is it your position that, even though the CRA data indicates that proportional
unit costs have increased much more for First-Class presorted letters (16.2%)
than for First-Class single piece letters (7.0%), actual costs probably did not
increase by those amounts? Please explain your answer.

C. Please explain how a change to the method used to collect and assign IOCS
tallies would impact First-Class costs as presented in Parts (A) and (B).

D. Please explain where in any Postal Service witness testimony it is specifically
explained how the change in the method to collect and assign IOCS tallies
would impact First-Class costs as presented in Parts (A) and (B) and provide
citations to the specific portions of such testimony, if any.

Response:

(A) Yes. My position is that this increase should not be construed as the actual

change in unit costs because between the base year used in R2005-1 (FY 2004) to

develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY

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2008 costs, there was a change to the method used to collect and assign IOCS
tallies. I do not know what the reported change in unit cost might have been if there
had been no change in IOCS.

(B) Yes. I note that the CRA data do not provide the proportional unit costs, which are
derived from my cost models. I use the total unit costs provided by the CRA as
inputs into my models. My position is that this increase should not be construed as
the actual change in proportional unit costs because between the base year used in
R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1
(FY 2005) to develop TY 2008 costs, there was a change to the method used to
collect and assign IOCS tallies. I do not know what the reported change in unit cost
might have been if there had been no change in IOCS.

(C,D) Redirected to witness Bozzo.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

_____
Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 7, 2006

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORY OF PITNEY BOWES INC

PB/USPS-T22-1. Please refer to page 13 of your testimony in R.2005- 1:

    a.   Please confirm that the worksharing related savings calculated included delivery unit savings.

    b.   Please confirm that the annotation online 6 of Table I on page 16 of your testimony in R2005-1 states "[t]he worksharing related savings include both mail processing and delivery savings."

Response:

a. Confirmed

b. Confirmed.

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PB/USPS-T22-2. Please confirm that your method of calculating worksharing related
savings in the instant case does not include delivery savings. If you cannot confirm,
please provide a detailed explanation of where and how delivery savings are included

Response:

Not confirmed. In the instant proceeding, my testimony does not include any

worksharing related savings calculations. Please refer to the purpose and scope section

of my testimony in USPS-T-22, page 1.

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PB/USPS-T22-3. Using the same methods as were used in 2005-1, please calculate
the delivery unit savings for TY 2008 for each of the First-Class Mail presort levels.

Response:

Please see the response to POIR 5, questions 4 and 5 in this docket.

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PB/USPS-T22-4. Please refer to page 6 of your testimony in the instant case where
you state, "[e]ach cost pool is now classified as being proportional or fixed, with the
distinction being only to separate the costs for which my model develops estimates (the
proportional costs) from the costs which are beyond the scope of my model (fixed
costs)."

    a.   Please describe and provide any econometric studies which support the
concept that the cost pools that you have classified as fixed actually are
fixed with respect to presort level.

    b.   Please describe and provide any operational studies which support the
concept that the cost pools that you have classified as fixed actually are
fixed with respect to presort level. In this description, please be sure to
summarize any discussions you may have had with USPS operations
personnel which supports the concept that these cost pools actually are
fixed with respect to presort level.

    c.   Please describe and provide any studies which support the concept that
the cost pools that you have classified as fixed actually are fixed with
respect to presort level.

Response:

a-c. I'm not aware of any studies that relate to the cost pool classifications Witness

Van-TY- Smith (USPS-T-11) documents the mechanics by which the Postal Service

proposes to create cost pools for mail processing operations. I do not model all costs of

mail processing operations. Each cost pools is classified as either "proportional" or

"fixed". The cost pool classifications are based on the operations/tasks mapped to

given cost pool, as described in USPS-LR-L-55. The "proportional" cost pools contain

the costs for tasks that I have actually modeled. The "fixed" cost pools represent tasks

that I have not modeled.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORY OF PITNEY BOWES INC

PB/USPS-T22-5.   Please refer to your interrogatory responses to PB/USPS-T21-1 in
R2005-1
1. Please confirm that your responses would be the same if you were asked these
    interrogatories in this case. If you cannot confirm, please provide a detailed
    explanation of why and how the responses would be different.

Response:

Partially confirmed. In the instant proceedings, please refer to the cost pool

classifications shown in USPS-LR-L-48 on page 3 and discussed in my testimony

(USPS-T-22, page 6).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORY OF PITNEY BOWES INC

PB/USPS-T22-6. *Please confirm that you have modeled costs only for piece handling
activities as well some package handling activities. Please describe in detail the
package handling activities that were modeled. If you cannot confirm, please provide a
detailed explanation as to why you cannot confirm.*

Response:

Confirmed. The 1OPBULK and 1OPPREF cost pools contain costs related to opening

units and package sorting operations In MODS facilities. The 1POUCHING cost pool

contains the costs related to pouch racks and package in MODS facilities. Please note

that in USPS-LR-L-48, on page 3, these cost pools are classified as "proportional". The

operations numbers mapped to the 1OPBULK, 1OPREFF, and 1POUCHING cost pools

are used to sort letter bundles, if the container and bundle presort level of a given

bundle are such that a sortation is required.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORY OF PITNEY BOWES INC

PB/USPS-T22-7. Please confirm that you have not modeled costs for tray sortation
or handling costs. If you cannot confirm, please provide a detailed explanation where
and how tray sortation and handling costs are modeled.

Response:

Confirmed

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORY OF PITNEY BOWES INC

PB/USPS-T22-8. Please confirm that you have not modeled costs for container
sortation or handling costs. If you cannot confirm, please provide a detailed explanation
where and how container sortation and handling costs are modeled.

Response:

Confirmed

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORY OF PITNEY BOWES INC

PB/USPS-T22-10. Please refer to your response to PB/USPS-T-22-4, where you state "I do not model all costs of mail processing operations. Each cost pools is classified as either "proportional" or "fixed". The cost pool classifications are based on operations/tasks mapped to given cost pool, as described in USPS-LR-L-55. The "proportional" cost pools contain the costs for tasks that I actually have modeled. The "fixed" cost pools represent tasks that I have not modeled."

a. Please confirm that with your approach to calculating unit mail processing costs of rate categories of First-Class Presort mail, costs in pools that you *do not model* do not affect the modeled unit cost differences between these rate categories.

b. Please explain how cost pools are classified as either "proportional" or "fixed" based on operations/tasks mapped to given cost pools.

c. Who is responsible for the classification of cost pools as either "fixed" or "proportional?"

d. If you were responsible for the classification of cost pools as "fixed" or "proportional," please provide the criteria you used for selecting which cost pools to model.

e. If you were not responsible for the classification of cost pools as "fixed" or "proportional" did you review the classification determinations?

f. Please provide all cites in USPS-LR-L-55 to the words "proportional" and "fixed" as they are used in your testimony.

g. Please confirm that the statement "[t]he cost pool classifications are based on operations/tasks mapped to given cost pool, as described in USPS-LR-L-55," simply means that USPS Witness Van-Ty-Smith formed the MODS cost pools, some of which you have modeled and some of which you have not. If the statement means something more than that, please explain fully.

Response:

a. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORY OF PITNEY BOWES INC

b. The cost models estimate the costs for piece and bundle distribution tasks. Any cost pools that are known to contain costs for piece and bundle distribution tasks are classified as proportional. All other cost pools are classified as fixed.

c. I am responsible for cost pool classifications as described in my testimony USPS-T22, page 7.

d. Please see my response to part (b). Also, in making my decisions regarding cost pool classifications, I considered the classifications from previous rate cases The Commission-approved cost pool classifications were used, as this issue has been covered in the previous rate cases

e. No applicable. Please see the response to part (c).

f. USPS-LR-L-55 does not contain designations as "proportional" or "fixed" classifications, but it does identify what tasks are associated with each cost pool I make the determinations regarding whether the cost pools are classified as proportional or fixed. Please see my response to parts (b) and (c).

g. Confirmed. The operation numbers shown in the mapping list are used as the bases for the classifications to fixed or proportional. If any operation numbers within a given cost pool are known to include tasks related to piece and bundle distribution activities that cost pool is classified as proportional.

RESPONSE OF POSTAL SERVICE WITNESS ABDIRAHMAN
TO POIR NO. 8, QUESTION 15(D)

15. Please refer to USPS-T-32, pages 20-21, where the rationale for the proposal to eliminate the automation carrier route presort discount for First-Class letters is presented. Witness Taufique states that the "current and future processing of letter-shaped mail requires delivery point sequencing of mail at destinating Processing and Distribution Centers." He further explains that "fewer delivery units have Carrier Sequence Bar Code Sorter (CSBCS) equipment" and "[w]hen CSBCS equipment is removed from the remaining delivery units, all of this mail will be merged in the 5-Digit Automation rate category[.]"

***

d. USPS-LR-L-141 (which utilizes PRC cost attribution methodology) shows an estimated savings of 1.237 cents per piece for First-Class automation carrier route presort letters as compared to automation 5-digit presort letters at CSBCS/manual sites. Please present a parallel estimate of savings for automation carrier route presort letters using the Postal Service's proposed costing methodology.

RESPONSE:

(d) The parallel estimate of savings for automation carrier route presort letters using the

Postal Service's costing methodology is 1.125 cents per piece.

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
FOLLOW-UP INTERROGATORY OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T22-53)

The United States Postal Service hereby provides the response of witness

Abdirahman to the above referenced interrogatory of Major Mailers Association filed on

July 26, 2006.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 7, 2006

1   CHAIRMAN OMAS: This brings us to oral

2   cross-examination. One participant has requested oral

3   cross-examination, the Major Mailers Association.

4   Is there any other participant who wishes to

5   cross-examine Witness Abdirahman?

6   Could you state your name for the record,

7   please?

8   MR. SCANLON: Michael Scanlon on behalf of

9   Pitney Bowes.

10   CHAIRMAN OMAS: Thank you.

11   Mr. Hall, you may begin.

12   MR. HALL: Thank you, Mr. Chairman.

13   CROSS-EXAMINATION

14   BY MR. HALL:

15   Q   Good morning, Mr. Abdirahman. My name is

16   Mike Hall, and I'm going to be asking you questions on

17   behalf of Major Mailers Association, which I'll call

18   MMA.

19   Could you turn first please to your response

20   to Interrogatory MMA-T-22-36, and in particular Part

21   A?

22   A   Yes.

23   Q   There you indicate that fixed cost pools are

24   tasks that you have not modeled, but some of those

25   costs may vary for mail of different presort levels.

1   Is that correct?

2   A   Yes.

3   Q   Just to understand what we're talking about,

4   there are 53 total cost pools under the USPS

5   methodology. Is that correct?

6   A   That's correct.

7   Q   And 10 of those are proportional, and those

8   are the ones that you did study?

9   A   Yes.

10   Q   And the total unit costs reflected in those

11   10 cost pools is approximately 2.8 cents. Is that

12   correct?

13   A   Yes.

14   Q   Which now leaves us with 43 cost pools that

15   are classified as fixed that you did not model or

16   study. Is that right?

17   A   When I say modeled, what I mean is that the

18   mail flow model that I presented as part of the cost

19   model, whatever is included in there, the things I

20   have modeled, is in the proportional cost pool.

21   Anything that's in the fixed cost pool is what I have

22   not modeled.

23   Q   Fine. I think we're on the same page on

24   that.

25   Could you confirm that the total fixed costs

1   in the 43 cost pools that you did not study, the unit

2   cost, is 1.8 cents under the USPS attributable cost

3   methodology?

4   A   Yes.

5   Q   Now could you turn please to your response

6   to Interrogatory MMA/USPS-T-22-17 in which we were

7   asking you questions about QBRM?

8   A   Yes.

9   Q   I believe I saw in your testimony that some

10   input for your analyses came from Witness Loetscher

11   and the BRM practices study that he sponsored.

12   A   That's correct.

13   Q   Okay. Did you take part in either the

14   design, implementation or confirming the results of

15   that BRM practices study?

16   A   No, I did not, but I understand that Witness

17   Loetscher has presented a library reference containing

18   the results, and I think he has sponsored those as

19   part of the case.

20   Q   Okay. I guess my question is you seem to

21   have some understanding of the study because in Part A

22   to the interrogatory that we've been discussing you

23   confirm that the study showed 26.6 percent of high

24   volume QBRM were counted manually, but then in B you

25   couldn't confirm a calculation that MMA made because

1   the source of the figure was unknown to you.

2   To get some better understanding for myself

3   here, would it be fair to say that you took results of

4   the BRM practices study that Witness Loetscher

5   provided to you?

6   A   Yes, as an input.

7   Q   Okay. And then would it also be fair to say

8   that you did not question those results in any way?

9   A   The results to me seem reasonable.

10   Q   And your conclusion that the results were

11   reasonable was based upon what?

12   A   The BRM study, the old BRM study, was done

13   in 1997, so this is the most current data that was

14   performed in this case.

15   Anything that's new or better, newer data,

16   the data should be very good and should be useable. I

17   didn't see anything that raised any flags to question.

18   Q   So your answer is just that newer is better,

19   but you didn't do any examination of the BRM practices

20   study presented in this case in terms of seeing that

21   the way in which the study was designed and conducted

22   and checked were reasonable; just that the results

23   seemed reasonable to you?

24   A   I was not involved in the study.

25   Q   When you say newer is better, are you aware

1   of any studies that occurred between R97-1 and the BRM

2   practices study that's presented in this case?

3   A   This is the only one I'm aware of, the one

4   Witness Loetscher is sponsoring.

5   Q   So you're not aware of a survey that was

6   conducted by Witness Campbell in R2000-1?

7   A   As a background, I've read the testimony and

8   also read the transcripts of Witness Campbell, as well

9   as Witness Miller, who did the BRM in R2000-1.

10   Q   With respect to Witness Campbell and Witness

11   Miller, is it your understanding that they both --

12   Witness Campbell only after being prompted, but

13   Witness Miller on his own -- conducted surveys of high

14   volume QBRM sites?

15   A   I'm aware of that.

16   Q   And do you have in mind what the results of

17   those surveys were?

18   A   I can't recall what the results were.

19   Q   So when you say that you think that the BRM

20   practices study in this case, that the results are

21   reasonable, it wasn't based upon any criticism that

22   you might have had with respect to the surveys that

23   were conducted by Mr. Campbell in R2000-1 or the

24   larger survey that was conducted by Mr. Miller in

25   R2001-1?

1   A   As a practice, whenever we prepare a case to

2   present to the Postal Rate Commission we look at the

3   recommended decision. We look at the concerns of the

4   Intervenors, what they have expressed.

5   I believe that since R97 was the last time

6   and in R2001 or R2000-1 Mr. Miller and Mr. Campbell

7   performed the survey, I believe the current study,

8   which I'm not 100 percent sure how it was conducted,

9   where it was conducted, was sponsored by a different

10   witness who is going to be presenting it. It's

11   already as a library reference.

12   Anything that incorporates how the study was

13   performed, what was involved, that's outside the scope

14   of my testimony. I used the number as an input in my

15   model.

16   Q   Okay. So basically I don't need to belabor

17   the point. You're telling me if I have questions

18   about this I should go to speak to Witness Loetscher?

19   A   I believe he's the one who is sponsoring it.

20   Q   Do you recall in R2005-1 whether you used a

21   percent of high volume QBRM that was manually counted

22   of 0.4 percent?

23   A   Is there any specific place where I need to

24   look at?

25   Q   Let's see. I'm sure it would have been in

1   your library reference in that case and possibly in

2   your testimony.

3   A   I honestly don't recall. I don't have the

4   library reference in front of me.

5   Q   Would you accept that subject to check,

6   please?

7   MS. MCKENZIE: Excuse me, Chairman. I

8   believe that the QBRM testimony was provided by a

9   different witness. That would have been Witness

10   Hatcher in R2005-1.

11   MR. HALL: I stand corrected.

12   BY MR. HALL:

13   Q   Would you confirm that Witness Hatcher or

14   accept subject to check that Witness Hatcher in

15   R2005-1 used a 0.4 percent figure for the percentage

16   of high volume QBRM that was counted manually?

17   A   Subject to check, yes, I would.

18   Q   Okay. As a general matter, seeing that the

19   manual counting percent was less than one-half of one

20   percent in one case and jumped to over 26 percent,

21   specifically 26.6 percent, in this case in the figures

22   that you used, wouldn't that seem a rather significant

23   increase?

24   A   Are you talking about the QBRM for PC high

25   volume or what specifically?

1   Q   High volume QBRM for PC.

2   A   I would say that the witness responsible for

3   this should be explaining how this was conducted, but

4   my understanding was in R2000-1, if my memory is

5   correct, I was reading the transcripts back, and they

6   were complaining that Witness Campbell used 41 percent

7   manual count. Compared to that, this is much lower.

8   It's 26 percent now.

9   Q   Well, Witness Campbell testified in R2000-1.

10   A   Right.

11   Q   And we could talk about that as well. I

12   believe you said that the manual percentage that

13   Witness Campbell came up in R2000-1 was something that

14   it was really Keyspan that complained about. Is that

15   correct?

16   A   If my memory is correct, yes.

17   Q   Right. And when he first presented the

18   results of his business BRM practices study in that

19   case, and I'll ask you to check the Commission's

20   decision in R2000-1, the manual counting percentage

21   that he showed for high volume QBRM was 47 percent.

22   Will you accept that subject to check, that

23   that's what we were complaining about?

24   A   I'll accept that subject to check.

25   Q   Okay. Now, Witness Campbell in that case,

1   when prompted by Keyspan, did a survey. He did a

2   survey of 77 sites where there were high volume QBRM

3   customers.

4   As a result of that study, the percentage of

5   high volume QBRM that was counted manually reduced

6   voluntarily by Witness Campbell to 11 percent. Are

7   you familiar with that figure, or will you accept that

8   subject to check?

9   A   I'll accept that subject to check.

10   Q   Okay. So now 11 percent is, without having

11   to do heavy math here, a lot less than 50 percent of

12   the 26.6 percent that you used in this case.

13   A   Yes, but again I underline that that was an

14   input that I used in the model. That input came from

15   another witness.

16   Q   Okay. Back to Witness Hatcher, who used the

17   .4 percent figure in R2005-1. That was based, was it

18   not, on the survey that Witness Miller conducted in

19   R2001-1?

20   A   I honestly don't know. I started doing the

21   models of BRM in this case, so the issues that are

22   involved I read up to some extent and tried to

23   understand the background of the whole issue of BRM,

24   but to be specific on why she used a number, could she

25   have changed it, because I now have a new study, a new

1   input study, so that's why I tried to update.

2   There have been some complaints lately, you

3   know, that you used the old numbers. We tried to use

4   the numbers. The numbers are equally higher or lower.

5   It could be higher or lower, but the number we used

6   exactly came from the study, which was sponsored by

7   another witness.

8   Q   Okay. So again I should probably talk to

9   the other witness about that?

10   A   He's the one who's sponsoring it. I believe

11 so, yes.

12   Q   All right. And you don't recall where the

13 .4 percent or a little bit less than that percentage

14 of high volume QBRM that was manually counted comes

15 from?

16   A   From Witness Hatcher's study?

17   Q   Yes. Do you understand where that came from

18 to begin with?

19   A   No, I don't. I don't recall.

20   Q   So if I were to try and prompt your memory,

21 I think you did indicate that one of the things you

22 reviewed was Witness Miller's presentation in R2001-1,

23 right?

24   A   That's correct.

25   MR. HALL: Mr. Chairman, if I could show the

1   witness a document?

2   CHAIRMAN OMAS: Certainly.

3   THE WITNESS: Thank you.

4   MR. HALL: Take a chance to review that and

5   look at the figures at the bottom of the page.

6   (Pause.)

7   THE WITNESS: Yes. I did review them.

8   MR. HALL: I'm sorry?

9   THE WITNESS: I reviewed the numbers.

10   BY MR. HALL:

11   Q   Okay. Do you see on the last page there

12   under the column which unfortunately they didn't carry

13   it over, but it's headed Manual on the first page?

14   A   Yes.

15   Q   And that corresponding column shows .38

16   percent manual?

17   A   Yes, that's what it shows. Yes.

18   Q   Okay. But you recall seeing that as you

19   were preparing this case?

20   A   I don't recall seeing this specific number.

21   I recall the numbers, but the inputs that I got from

22   Witness Loetscher is what I used. I didn't compare

23   the numbers.

24   Q   Okay. In other words, you didn't have a

25   recall then of this .38 percent manual counting

1   percentage and when you got the numbers from Witness

2   Loetscher go back and say maybe something could be

3   wrong here because I looked at Mr. Miller and I looked

4   at Ms. Hatcher in the last two cases and they have a

5   much, much smaller, very insignificant percentage of

6   high volume QBRM that is counted manually?

7   A   I don't know exactly what he was looking at,

8   Witness Loetscher, when he came up with the numbers.

9   Q   Okay.

10   A   Things could change from the time this

11   survey was taken and the time he was implementing the

12   study, so I don't know unless he's willing to explain

13   why he came up with that number. It's just an input

14   in my model.

15   Q   On what basis did you conclude that the 26.6

16   percent that he gave you and you used in this case,

17   the 26.6 percent manual counting percentage for high

18   volume QBRM, was reasonable?

19   A   I believe that the QBRM, there are over

20   36,000 post offices. All this volume, think about the

21   small post offices. They would have to be handled

22   manually.

23   I'm assuming that he's looking not only at

24   the big offices, or he's looking at the entire nation.

25   This number represents even the small post offices

1   where they have to manually count the QBRM pieces.

2   Q   Do you know how many high volume QBRM

3   customers there are?

4   A   Not off the top of my head.

5   Q   Okay. But you think that there are enough

6   so that high volume QBRM is manually counted at all

7   36,000 post offices?

8   A   I know every post office does not have

9   weight averaging. The manual count is what -- I

10   especially have the experience of working in a small

11   post office in Falls Church and also the finance

12   station.

13   We used to get the QBRM pieces, and we used

14   to manually count. You know, it happens all the time,

15   every day in every small post office. I think that's

16   what he was representing. He was looking at the big

17   picture.

18   Q   Okay. And based on your knowledge, what

19   timeframe was this?

20   A   I was at Falls Church close to 10 years I

21   worked in Falls Church Post Office. Before 2001.

22   Q   Until 2001?

23   A   Right.

24   Q   Okay. At the time there was no such thing

25   as high volume QBRM, or it was just being implemented.

1   Is that correct?

2   A   The high volume QBRM was implemented, but

3   they still QBRM mail. We used to have BRM and QBRM

4   mail at delivery units.

5   Q   Right, but you don't know whether what you

6   observed while you were there was high volume QBRM or

7   low volume QBRM or regular old BRM?

8   A   I think they included a variety of mail

9   because we had First Virginia Bank at the Falls Church

10   main post office, which received high volume QBRM.

11   Some of them we used to do manually.

12   Q   Okay. Thank you.

13   A   You're welcome.

14   Q   Now, Mr. Abdirahman, could you please turn

15   to your responses to MMA Interrogatories 2, 3 and 4?

16   A   Yes, I have them.

17   MR. HALL: Mr. Chairman or whoever is

18   acting, at this point I would like to show the witness

19   a document and also have it copied into the record.

20   CHAIRMAN OMAS: Without objection.

21   MS. MCKENZIE: Mr. Chairman, if I could see

22   the document first?

23   CHAIRMAN OMAS: If you would show the

24   document to counsel as well please, Mr. Hall?

25   MR. HALL: I've already provided counsel a

1   copy.

2   MS. MCKENZIE: It appears to me that these

3   are already in the record, or are these the unrevised

4   responses?

5   MR. HALL: Yes, that's correct.

6   MS. MCKENZIE: Okay. Mr. Chairman, before

7   the unrevised answers go into the record I think we

8   should perhaps discuss that the witness has revised

9   his answers. This is an earlier version, and it

10   replaced the unrevised answers.

11   CHAIRMAN OMAS: Mr. Hall?

12   MR. HALL: One moment. I think I have

13   enough copies here. If I could ask you to distribute

14   them among the members?

15   CHAIRMAN OMAS: Ms. McKenzie, would you pose

16   your question again to Mr. Hall?

17   MS. MCKENZIE: Well, I'm objecting to the

18   admission of these answers into the record at this

19   point.

20   I would imagine if he wants to ask some

21   questions of the witness, but these are written

22   questions that Mr. Hall had already posed, and Witness

23   Abdirahman has already provided his revised answers

24   for the record in the packet that was provided.

25   Before this gets transcribed into the

1   record, he's already replaced these answers with ones

2   that are in the record. I'm not sure why these would

3   go in as well. There's an objection for them being

4   transcribed at this point.

5   MR. HALL: Well, I don't intend to make them

6   an exhibit in this case, but they do form the basis of

7   questions that I have for Mr. Abdirahman, especially

8   questions relating to why he gave the answers that he

9   gave the first time and why they were revised.

10   MS. MCKENZIE: Mr. Chairman, Mr. Hall could

11   ask those questions and then say why did you revise

12   the answer? He could say you provided an earlier

13   answer, and why did you revise it? It doesn't need to

14   be transcribed.

15   I believe on some of these questions Mr.

16   Abdirahman had answered confirmed, and then he added

17   more qualifications. I don't think we need to

18   transcribe that into the record. I think that would

19   be clear for the record otherwise.

20   CHAIRMAN OMAS: Mr. Hall?

21   MR. HALL: I think it's still proper so that

22   the record can understand the basis for my questions.

23   I'm not going to run through each and every

24   one, but the record ought to be able to show how our

25   colloquy goes. It would otherwise be very difficult

1   and time consuming.

2   MR. ANDERSON: Mr. Chairman? Darryl

3   Anderson on behalf of the American Postal Workers

4   Union.

5   CHAIRMAN OMAS: Yes?

6   MR. ANDERSON: If Mr. Hall intends to ask

7   questions on some of these perhaps that will provide a

8   basis for their introduction, but insofar as he

9   intends to introduce and proposes to enter them into

10   the record, the answers that have now been revised,

11   and not to ask questions about them we would object

12   because those would then be in the record and be

13   available for argument for which we would have no

14   basis of anticipating and responding.

15   I think either they need to be excluded, or

16   if there are those for which Mr. Hall has questions

17   then perhaps he will provided a basis for their

18   inclusion. After he finishes asking the witness the

19   questions he has, the Chairman would be in a position

20   to judge whether it's appropriate to put them into the

21   record.

22   MR. HALL: That's fine. I'm assuming that

23   we could handle that process by having them

24   temporarily copied into the record. Since they won't

25   actually go into the record until my cross-examination

1   is finished, you can exclude them at that point if you

2   don't think that they're appropriate.

3   MR. ANDERSON: Mr. Hall, do you have other

4   copies?

5   CHAIRMAN OMAS: Why don't we just proceed,

6   Mr. Hall, with your questioning, and then we'll make

7   that determination of what we put into the record at

8   the end of your cross-examination.

9   BY MR. HALL:

10   Q   While we've been having this discussion

11 between counsel, Mr. Abdirahman, have you had an

12 opportunity to review the packet of interrogatory

13 responses to 2, 3 and 4 that I provided to you?

14   A   Yes.

15   Q   And in those interrogatories we are asking

16 you to make certain comparisons and confirm increased

17 cost calculations that we made for you to confirm and

18 also in the case of standard mail cost decreases.

19 Would that be a fair general statement?

20   A   Yes.

21   Q   And when you responded to these

22 interrogatories, and I believe it was on July 6, you

23 basically confirmed all of our calculations. Is that

24 right?

25   A   Yes, but I revised and made some

1 qualifications later on. I will stick with the

2 revision.

3   Q   I'm sure you will, but in any case those

4 were your answers at the time?

5   A   Yes.

6   Q   By the way, I'm sorry. I left out

7 something. Interrogatories 2, 3 and 4 were making

8 comparisons using the USPS attributable cost

9 methodology. Is that right?

10   A   That's correct.

11   Q   Okay. We also asked you Questions 27, 28

12 and 29 that reflected the same general comparisons of

13 cost increases and decreases using the PRC

14 attributable cost methodology. Do you recall that?

15   A   I addressed it back to the Postal Service

16 since I don't sponsor the PRC methodology.

17   MR. HALL: I'd like to show the witness

18 another document.

19   BY MR. HALL:

20   Q   Now, have you had a chance to look at that

21 packet of documents I've handed you?

22   A   Not yet. Just a second, please. I want to

23 check something.

24   (Pause.)

25   A   Yes.

1   Q   Let's look at the response to 29C. By the

2   way, Mr. Abdirahman, were you the author of these

3   institutional responses?

4   MS. MCKENZIE: Objection, Your Honor. These

5   were answered by the Postal Service. They were not

6   answered by this witness.

7   MR. HALL: Well, I guess the witness could

8   have told me that.

9   CHAIRMAN OMAS: Proceed, Mr. Hall.

10   THE WITNESS: I agree with counsel.

11   BY MR. HALL:

12   Q   You agree with counsel that you didn't do

13   that?

14   A   This was responded to by the Postal Service.

15   Q   Okay. Did you --

16   CHAIRMAN OMAS: Mr. Hall, you don't need to

17   stay right on top of the mic, sir.

18   BY MR. HALL:

19   Q   Okay. Did you review these responses before

20   the Postal Service made them?

21   MS. MCKENZIE: Objection, Your Honor. This

22   is outside the scope of his testimony.

23   CHAIRMAN OMAS: Go on to something else, Mr.

24   Hall.

25   //

1   BY MR. HALL:

2   Q   Did anyone consult you about these responses

3   before they were filed?

4   MS. MCKENZIE: Objection. Outside the scope

5   of his testimony.

6   CHAIRMAN OMAS: Mr. Abdirahman, would you

7   try to go ahead and attempt to answer that question?

8   THE WITNESS: This was answered by the

9   Postal Service, and I can only answer things that were

10   directed to me related to the USPS methodology. This

11   was answered by the Postal Service.

12   BY MR. HALL:

13   Q   Well, let's look at that 29C, the response

14   there. Have you had a chance to read that?

15   (Pause.)

16   A   Yes.

17   Q   Now, in contrast to your rather

18   straightforward confirmation of the calculation that

19   you provided in your original responses to 2, 3 and 4,

20   the Postal Service is only partially confirming these

21   responses and specifically states, and I'd just like

22   to see if you think I'm reading it right:

23   "Since a CRA cost for first class metered

24   mail is available, there is no reason to model the

25   cost or derive a proportional unit cost."

1   A   What's the question?

2   Q   Did I read that correctly?

3   A   Yes.

4   Q   Okay.   In view of these responses, we then

5   asked the Postal Service as an institution basically

6   how come Mr. Abdirahman can confirm cost increases and

7   decreases based on the USPS attributable cost

8   methodology without any problem, but you seem to have

9   some problem in confirming the same type of

10   information, cost increases and decreases, with

11   respect to the PRC attributable cost methodology.

12   A   So you're asking me why the Postal Service

13   partially confirmed instead of fully confirmed?   Is

14   that what you're asking me?

15   Q   No.   Right now I'm just telling you what we

16   did.   I'm going to ask you if you were aware of those

17   interrogatories that we sent to the institution?

18   A   I was aware the interrogatories came in,

19   yes.

20   Q   So in other words, somebody came to you

21   because we were saying here's Mr. Abdirahman clearly

22   confirming the information that we wanted under the

23   Postal Service's methodology, and we've decided not to

24   confirm or don't think we can confirm the same

25   information using the PRC methodology.   Is that how

1   that sort of happened?

2   A   Again, you're asking me the PRC methodology.

3   Again, also you're asking me about the response

4   provided by the Postal Service, so I am a little bit

5   confused here because I have what I responded in 2, 3,

6   4, 5. You can look at that.

7   This was provided by the Postal Service, so

8   I don't know how to respond to that question.

9   Q   Well, I think you've just said that somebody

10   pointed out a sort of discrepancy to you.

11   A   No. This was sent to me, and I addressed it

12   to the Postal Service. This is USPS-T-22-29. I had

13   to see this. It came to me. Everything from MMA, I

14   looked at it --

15   Q   Right.

16   A   -- because usually this is my area. The

17   response here was provided by the Postal Service.

18   Q   Did somebody in the Postal Service -- the

19   institution, not you -- subsequently come to you and

20   say hey, there may be some problem here because MMA is

21   now asking us how come Mr. Abdirahman can confirm

22   increase and decrease unit costs for first class mail

23   and standard mail, but we didn't give them the same

24   clear confirmation and now they're asking why?

25   A   But as you can see, it's not asking about an

1   increase or decrease, this particular interrogatory

2   you mentioned, right? You didn't ask about the --

3   BY MR. HALL:

4   Q   Okay. Well, the other interrogatories that

5   I have provided you a copy of did.

6   A   The USPS version? My responses?

7   Q   No. The PRC version.

8   A   Well, what particular one? Could you please

9   tell me which one to look.

10   Q   Sure. One second. Well, to calculate an

11   increase or decrease you need to get the unit cost.

12   Isn't that correct?

13   A   That's correct.

14   Q   Okay. You saw from your reading of the

15   Postal Service institutional answer that they weren't

16   confirming that. Is that correct?

17   A   Which one?

18   Q   The 29(c) I believe it was that we were

19   discussing.

20   A   The 29(c) says please confirm that if you

21   decline costs both in exact same manner as you do for

22   first-class presort letters test unit costs and

23   proportionate unit costs first-class mail are 13.1287

24   and 8.533 respectively. It doesn't say increase or

25   decrease.

1   Q   Well, let's move on to something where they

2   did. Well, then lets look at for example 29(g). It

3   says please confirm that the proportional unit cost of

4   processing first-class presorted letters is expected

5   to increase at more than three times the rate of

6   first-class metered mail letters, 11.3 percent

7   compared to 3.5 percent.

8   A   Yes.

9   Q   Okay. The answer to (g) is not confirmed.

10   Please see responses to part (a) through (d). (c) was

11   one of those. Is that correct?

12   A   Yes.

13   Q   So in other words you recognize that these

14   are simply the same kind of cost comparisons that you

15   were asked to confirm as far as the USPS attributable

16   cost methodology was concerned in Interrogatories 2, 3

17   and 4?

18   A   That's correct.

19   Q   You agree that the Postal Services as an

20   institution their answers with respect to 27, 28 and

21   29 which ask for confirmation of the same type of

22   information as you were asked in two, three and four,

23   but using the PRC cost methodology, that you didn't

24   get confirmed, confirmed, confirmed?

25   MS. MCKENZIE: Objection, Mr. Chairman.

1   Again, we're getting back into answers provided by the

2   Postal Service which is outside the scope of Witness

3   Abdirahman's testimony.

4   MR. HALL: I think he's already said that he

5   recognizes the difference in the answers.

6   MS. MCKENZIE: I thought your question

7   was --

8   MR. HALL: If counsel wants to stipulate

9   that the answers were different, that instead of

10   confirming as Mr. Abdirahman did the Postal Service

11   did not confirm then I'll accept that.

12   MS. MCKENZIE: First of all the answers

13   speak for themselves. They have to be tied to

14   particular questions. In the original response Mr.

15   Abdirahman did confirm some parts, did not confirm

16   others. Later on when they were revised some parts

17   remained confirmed, other parts were qualified. I'm

18   not quite sure what we're comparing to what.

19   CHAIRMAN OMAS: Why don't we do this. Mr.

20   Abdirahman, why don't you tell us why you can't answer

21   the question and we'll put it to bed.

22   THE WITNESS: Okay. Mr. Hall is asking me a

23   series of questions regarding the USPS responses, and

24   I can only respond to what are my responses to the

25   USPS version. That's my main concern.

1   CHAIRMAN OMAS: All right. Thank you.

2   Proceed, Mr. Hall.

3   BY MR. HALL:

4   Q   Well, now you can look at your actual

5   designated written cross-examination two, three and

6   four as it has been revised by you.

7   A   Okay.

8   Q   Would it be fair to say that the unit cost

9   and unit cost comparison increases and decreases using

10   the USPS attributable cost methodology? You now say

11   you can't compare those things whereas before you had

12   no problem comparing them. Is that the sum and

13   substance of your revised responses to two, three and

14   four?

15   A   I think my revised responses speak for

16   themselves, and I say that I'm confirming it and I'm

17   adding qualifications to the confirmation, so I don't

18   know what you're asking me really.

19   Q   Let's look at 2(f) as an example.

20   A   Okay.

21   Q   There you're saying that confirm that the

22   calculations provided in MMA's table result in

23   calculated change as posed.

24   It can be confirmed that the calculated unit

25   costs decrease by 6.5 percent, but the change in unit

1   costs as calculated should not be construed as a real

2   decrease in unit costs because between base year used

3   in R2005-1 FY2004 to develop the TY2006 costs and the

4   base year used in R2006-1 FY2005 to develop the TY

5   costs there was a change in the method used to collect

6   and assign IOCS tallies.

7   Therefore because the change in costs and

8   cost methodologies are indistinguishable it cannot be

9   concluded that the unit costs of processing an average

10   standard presort letter decrease by 6.5 percent from

11   test year 2006 to test year 2008.

12   A   Correct.

13   Q   Okay. Before you said sure you could

14   confirm that figure. Now, you're saying no, I can't

15   confirm that figure because there's been a change in

16   the methodology used to collect and assign IOCS

17   tallies. Is that correct?

18   A   No. That's not correct. I didn't say I

19   cannot confirm. I'm confirming the number. I'm

20   confirming the decrease, but the reason of the

21   decrease is something that could be attributed to the

22   IOCS redesign. As a matter of fact USPS-T22(d), I

23   redirected that question to Witness Bozzo, who is

24   discussing the IOCS redesign.

25   He provided a response to that in which he

1   said the introduction of redesigned IOCS data

2   collection could be the major cause of the shift of

3   change in costs. So he is the one who is saying that.

4   I'm repeating what he said, and I'm confirming your

5   calculations. All I'm saying that the reason is I

6   don't know. It could be because of IOCS redesign.

7   Q   Okay. Please look at 2(e).

8   A   Yes. I do have it.

9   Q   Okay. That deals with first-class, right?

10   A   That's correct.

11   Q   Okay. The answer is the same. Can I

12   summarize the answer and you agree with me?

13   A   (Nonverbal response.)

14   Q   You put certain numbers on a page for me to

15   confirm. I confirmed that you correctly made

16   calculations based on those numbers that you provided,

17   but when you then try to calculate any increases in

18   costs between R2005-1 and R2006-1 you should be aware

19   that may not be a real increase because of a change in

20   the methodology for developing and assigning IOCS

21   tallies.

22   A   Your original question was please confirm

23   that for first-class presort letters the total unit

24   cost processing is expected to increase by 11.4

25   between R2005-1 to test year 2008-1. All I'm saying

1   here is that I confirmed the math, and I'm saying that

2   the reason of this increase could be -- I don't know

3   what the number would have been without the IOCS

4   redesign. That's what I'm saying.

5   Q   So you're saying that the number is

6   calculated fine, it just doesn't mean anything?

7   A   It doesn't say that in my response. My

8   response speaks for itself.

9   Q   Okay. Well, here we're talking about 11.4

10   percent increase. Was there 11.4 percent increase?

11   A   I said there was an increase. I did not

12   object to the increase. Yes. The increase was there.

13   You have to understand that the total unit cost is an

14   input in my model. It comes from Witness Smith. I'm

15   saying that become an extra. This is outside my area,

16   but I'm explaining here the reason of the shift could

17   be because IOCS redesign.

18   That's all the response says. It doesn't

19   say the number is bad, it doesn't say the number is

20   wrong. I'm confirming the number. I'm confirming the

21   increase.

22   Q   Well, then why did you say that the unit

23   cost as calculated should not be construed as a real

24   increase in unit cost? What's the option to a real

25   increase in unit cost?

1   A   Saying that if the IOCS redesign wasn't

2   there, it wasn't performed, if that wasn't achieved

3   the IOCS's redesign, I don't know if that number would

4   have been 11.4 percent, it would have been 10.4

5   percent, would have been 13.4. I don't know. So I'm

6   saying there's an area of ambiguity and I'm trying to

7   explain that to you. That area we need to look at.

8   Just don't look at the number itself, the change.

9   There might be reasons underlying those

10   change. I'm trying to highlight one of the reasons,

11   areas that we need to focus on.

12   Q   Okay. Well, but we can certainly agree that

13   when you first answered it you didn't make any

14   reference to a change in methodology of collecting or

15   assigning IOCS tallies, right?

16   A   I'm sticking with my revised response.

17   Q   That's not my question to you.

18   A   Yeah.

19   Q   When you first answered it you didn't say

20   that the collection and assignment of IOCS tallies had

21   anything to do with your answer.

22   A   All I said was confirmed, and here I'm

23   adding. I'm saying confirmed and I'm explaining more.

24   That's all.

25   Q   Okay. My question to you is when did it

1   come to your attention that the collection and

2   assignment of IOCS tallies, specifically a change in

3   the methodology of collecting and assigning those

4   tallies, could have an affect on your answer which had

5   been confirmed so that you wanted to qualify it in the

6   manner that you have done in your revised responses?

7   A   I don't know exactly when, but I know that

8   while formulating the responses to these questions

9   I've spoken with some of the IOCS redesign people

10   including Witness Bozzo who provided a response to (d)

11   which said -- that's one of the things that prompted

12   me to clarify the confirmation.

13   Q   Well, when you say you talked to people like

14   Witness Bozzo who were in charge of IOCS tallies, how

15   they're collected and assigned, when did you say that

16   took place?

17   A   I don't recall exact time.

18   Q   It took place after you filed your initial

19   responses on July 6 and 7?

20   A   Before I filed the initial responses.

21   Before I filed the revised responses --

22   Q   Right.

23   A   -- is when I spoke with -- yes.

24   Q   Was that the first time that you found out

25   that there might be that complicating factor?

1   A   Well, I knew there was a IOCS redesign, but

2   I didn't have any knowledge of how they would impact

3   cost. In light of responding some of your questions

4   of increases or decreases I tried to find explanations

5   of why. One of the reasons that was pointed to me was

6   the IOCS redesign, and I think a response to MMA-T22

7   part (d) which I redirected to Witness Bozzo indicated

8   that could be the cost.

9   Q   His response, though, was standard mail.

10   Was that correct?

11   A   Yes.

12   Q   We're now talking about first-class mail, so

13   my question to you still stands. When did you learn

14   and from whom did you learn that the change in the

15   collection and assignment of IOCS tallies could also

16   be or might possibly be a problem with respect to

17   comparing increases in first-class costs between this

18   case and the last case?

19   A   Well, Question 53 which you asked which I

20   think we designated today I responded (a) and (b) and

21   then (c) and (d) I redirected, again, to Witness Bozzo

22   which you asked several questions of how this IOCS

23   redesign relates to the first-class unit cost. So I

24   think he's the best person to explain, you know, how

25   the IOCS redesign impacts first-class.

1   As far as when did I talk to, I did not keep

2   a record because there's a case going on, I mean this

3   case, and when a question comes in my first thing in

4   my mind is how to respond and what's the best kind of

5   response I can provide to the intervenors. I think

6   revising responses is not something new.

7   I mean, people revise their responses all

8   the time. So this revised response does not

9   contradict what I said before. The first one said

10   confirmed, this one said confirmed, but added extra

11   qualifications. That's all.

12   Q   So is it your testimony then that although

13   you added the qualifications about IOCS tallies, their

14   collection and assignment, you don't know if that's a

15   problem for making comparisons with respect to first-

16   class unit costs between this case and the last one?

17   A   I believe the change may have something to

18   do with the shift of change, increases or decreases.

19   When you have something -- because I have nothing to

20   compare to. Because if there are no IOCS redesign I

21   could tell you what the impact would have been, but

22   now we have made the change and I think Witness Bozzo

23   in part of his testimony, I don't know exactly where,

24   but he addresses how they index first-class standard

25   mail or class of mail.

1   So I think he's the perfect person to ask

2   how does that shift impact either first-class or

3   standard mail.

4   Q   He's the one who told you that it would

5   impact first-class?

6   A   I don't know if he has given you a response

7   to (c) and (d) on 53, so we have to wait --

8   Q   No. I'm talking about your revised

9   responses to two, three and four which were filed on

10   July 27 if memory serves. In other words before we

11   sent out 53.

12   A   My understanding that it impacts first-class

13   as well as standard mail or class of mail. That's my

14   understanding.

15   Q   Your understanding comes from discussions

16   you had with Witness Bozzo?

17   A   Yes.

18   MR. HALL: I think counsel would be happy to

19   know I'm not going to have those original responses

20   copied into the record, so we need not have that

21   fight.

22   CHAIRMAN OMAS: Thank you.

23   MS. MCKENZIE: Thank you, Mr. Hall.

24   MR. HALL: I want a future draft picked for

25   the next questions I'm going to ask.

1   CHAIRMAN OMAS: Could you tell us about how

2   much longer you have, Mr. Hall?

3   MR. HALL: I believe I have only about five

4   minutes.

5   CHAIRMAN OMAS: Okay.

6   BY MR. HALL:

7   Q   Could you please turn to your response to

8   Interrogatory MMA/USPS-T22-8?

9   A   Yes.

10   MR. HALL: I'd also like to hand the witness

11   a copy of the interrogatory response to Interrogatory

12   MMA/USPS-T21-28 here on the last case.

13   MS. MCKENZIE: Mr. Hall, would you have

14   copies for counsel?

15   BY MR. HALL:

16   Q   Now, looking at your response to 21-28 in

17   the last case --

18   A   Uh-huh.

19   Q   -- you were asked in part (a) to confirm the

20   unit costs and CRA proportion factors as shown in the

21   table?

22   A   Yes.

23   Q   Your response said not confirmed.

24   A   Uh-huh.

25   Q   You gave us different information and said I

1   anticipate filing errata to reflect these corrections

2   next week.

3   A   Which I believe I did.

4   Q   I'm sure you did. In any event the not

5   confirmed was due to the fact that you were making

6   corrections, not for another reason, right?

7   A   Yes. Because you asked me to provide the

8   correct numbers if you cannot confirm, so I did

9   provide you the correct numbers.

10   Q   Now, in 22-8 in this case --

11   A   Uh-huh.

12   Q   -- we refer you back to 21-28(a) in the last

13   case and ask you to confirm the same information. Is

14   that correct?

15   A   Are you talking about (c) or (a)? (c),

16   right?

17   Q   Part (c) in this case.

18   A   Yes.

19   Q   You see the reference back to the

20   interrogatory from the last case that we just

21   discussed?

22   A   Yes.

23   Q   Now, in this case you say not confirmed and

24   if I understand your answer it's because single-piece

25   metered letter costs by shape were used as a proxy for

1   BMM letters --

2   A   Yes.

3   Q   -- is that correct? So it's a question of

4   terminology?

5   A   Yeah, but also you asked me -- the question

6   says please confirm that since R2000-1 the Postal

7   Service mail flow model for BMM understated actual

8   costs. You're not only asking me to confirm the

9   table, you're asking me to confirm the numbers and the

10   stated actual costs. So the response was here to

11   explain why that is. It's not only BMM letters, it

12   also contains submitted bundles.

13   Q   Okay. Well, could you turn then to your

14   library reference --

15   A   Just before you do that, Mr. Hall, you had a

16   follow-up on (c) -- Mr. Hall?

17   Q   Yes?

18   A   Before you do that you had a follow-up on

19   (c), which is MMA/USPS-T22-41, which you asked me just

20   to confirm that you brought the table to here and you

21   said confirm and I said confirm the numbers. I

22   confirmed the table, but when you put some

23   qualifications I tried to explain I didn't agree to

24   that qualifications. As far as the table itself I did

25   confirm the numbers in the table.

1   Q   Okay. I think we're cn the same page. Now,

2   there is no BMM model in this case using the Postal

3   Service methodology. Is that right?

4   A   Yes. BMM is not part of my cost model.

5   Q   A bulk metered mail letters mail flow model

6   was provided in response to POIR No. 5. Isn't that

7   correct?

8   A   That's correct.

9   Q   I'd like to show you a page from that and

10   that is Library Reference USPS-LR-L-141, page 4,

11   revised July 1. Did I read that correctly? July 14.

12   My eyes are going. Can you tell us under the BMM

13   model the mail letters?

14   A   It's outgoing ISS.

15   Q   Okay. If you were to model first-class

16   metered mail rather than BMM how would that model

17   change if at all?

18   A   First-class metered mail, right?

19   Q   First-class single-piece metered mail.

20   A   They will have to go through the collection

21   through the ISS. Outgoing ISS.

22   Q   Okay. So that's the same as what you show

23   there for BMM?

24   A   Yes.

25   MR. HALL: That's all we have.

1	CHAIRMAN OMAS: Thank you, Mr. Hall.
2	I think at this point we'll take about a 10
3	minute break before Mr. Scanlon begins. Thank you.
4	(Whereupon, a short recess was taken.)
5	CHAIRMAN OMAS: Mr. Scanlon, would you
6	introduce yourself and who you represent for the
7	record and you may begin your cross-examination.
8	MR. SCANLON: Thank you, Mr. Chairman.
9	Michael Scanlon on behalf of Pitney-Bowes.
10	CROSS-EXAMINATION
11	BY MR. SCANLON:
12	Q Hello, Mr. Abdirahman.
13	A Hello.
14	Q I'd like to talk to you today about the
15	development of first-class presort letter mail
16	processing unit costs as described in your testimony.
17	A Uh-huh.
18	Q Specifically I'd like to focus on the
19	classification of cost pools and your testimony is
20	either proportional or fixed. I'd also like to focus
21	on how that determination to classify a cost pool is
22	either proportional or fixed affects the cost
23	differences between rate categories within first-class
24	presort letter mail.
25	I'd like to begin with an overview of the

1   cost methodology that you used. In your testimony at

2   page 7, lines 6 through 8, you state that you're

3   relying on a hybrid cost methodology. Is that

4   correct?

5   A   What page is that, sir?

6   Q   Page 7, lines 6 through 8.

7   A   Yes. That's correct.

8   Q   Would you agree that as in past cases you're

9   relying in part on the hybrid cost methodology because

10   the IOCS does not report cost differences at the rate

11   category level?

12   A   That's correct.

13   Q   Okay. So under this methodology the cost

14   avoidances between rate categories are determined by

15   the model costs of mail processing piece handling

16   costs. Is that correct?

17   A   Cost differences? Could you repeat the

18   question again?

19   Q   Well, the differences between different rate

20   categories --

21   A   Yes.

22   Q   -- are derived from the model costs, not

23   from the IOCS costs. Is that correct?

24   A   (Nonverbal response.)

25   Q   Okay. Now, I'd like if you would please

1   refer to the interrogatory response PB/USPS-T22-6?

2   A   What number is that again?

3   Q   T22-6, please?

4   A   Okay. Yes.

5   Q   In that response you confirm that you have

6 only modeled costs for piece handling activities as

7 well as some package handling activities. Is that

8 correct?

9   A   (Nonverbal response.)

10   Q   Okay. If you refer to PB/USPS-T22-7 and

11 T22-8 you confirm there that you have not modeled any

12 costs for tray or pallet sortation or handling costs.

13 Is that all --

14   A   That's correct.

15   Q   Okay. With that methodology in mind I'd

16 like to turn to the issue of the cost pool

17 classifications. Again, referring to page 7 of your

18 testimony, lines 14 through 18, you state under the

19 PRC method the CRA mail processing unit costs for

20 first-class presort letters are subdivided into 63

21 cost pools. Is that correct?

22   A   Yes. That's correct.

23   Q   Okay. That each of these cost pools

24 represents specific mail processing tasks.

25   A   That's also correct.

1   Q   Okay. You further testify on pages 7 and 8

2   from line 19 on page 7 to line 2 on the top of page 8

3   that in this case each cost pool is classified simply

4   as either proportional or as fixed. Is that correct?

5   A   That's correct.

6   Q   Okay. If I could get you, please, to refer

7   to PB/USPS-T22-10(c)? In response to that

8   interrogatory you stated that you were responsible for

9   determining whether a cost pool be labeled as

10   proportional or labeled as fixed. Is that correct?

11   A   That's correct.

12   Q   Okay. If you refer back then to

13   interrogatory PB/USPS-T22-4, in that response you

14   stated that you did not in fact model all of the costs

15   for mail processing operations.

16   A   That's correct.

17   Q   Consistent with your testimony, again, on

18   pages 7 and 8 you had testified that you labeled those

19   cost pools containing costs for tasks that you did in

20   fact model as, "proportional" and that you labeled

21   those cost pools for costs that you did not model as

22   fixed. Is that correct?

23   A   That's correct.

24   Q   Okay. Then, again, looking again at Pitney

25   Bowes USPS-T22-4 --

1   A   Okay.

2   Q   -- your response to that interrogatory.

3   A   Uh-huh.

4   Q   You conceded there that you were not aware

5   of any studies -- econometric studies, or operational

6   studies, or any other studies -- that confirm that the

7   cost pools that you've labeled as, "fixed" actually

8   are fixed with respect to presort levels. Isn't that

9   correct?

10   A   Yeah. That's correct. I also stated that

11   the cost for classification are based on the operation

12   task mapped to given cost pool as described in the

13   USPSLR Data 5.

14   Q   Okay. I understand. The reason why I

15   wanted to focus on that is because whether or not the

16   cost pool is classified as proportional or fixed is

17   not a trivial matter because, again, if they're not

18   classified as proportional then those costs are not

19   modeled and therefore they cannot form the base of the

20   cost difference between the rate categories within

21   first-class presort letter mail.

22   A   That's correct, but also I use CRA

23   adjustment factors.

24   Q   Right. In terms of the model costs and

25   that's really --

1   A   That's correct. Yeah.

2   Q   Okay. So bearing that in mind at this point

3   what I'd like to do is review a number of examples of

4   cost pools where although they've been classified as

5   fixed in fact the costs do appear to vary based on the

6   presort level. What we're handing out here are simply

7   various pages, pages 3 through 11, of the library

8   reference that you filed in this case, LRL-48.

9   I'd like to start with an example of an

10   operation cost pool that is classified as fixed, but

11   which really does vary with respect to presort levels.

12   A   Okay.

13   Q   Specifically let's start with the operation

14   example that relates to the activities and costs

15   associated with moving trays of letter mail between

16   different sort operations. Those cost pools are the

17   MOD-17 one dispatch and MOD-17 one OPS TRANS cost

18   pools.

19   A   Okay.

20   Q   If you refer to the cost sheets and the mail

21   flow models that you prepared and submitted with

22   LR-48 --

23   A   Yes.

24   Q   -- specifically pages 4 through 11, let's

25   start with the first two pages, pages 4 and 5, of the

1   cost sheets and mail flow models.

2   A   Okay.

3   Q   Starting with the mixed AADC mail.

4   A   Uh-huh.

5   Q   For purposes of simplicity here as we walk

6   through these examples we're only going to look at the

7   mail that stays in the automation sort operations.

8   A   Okay.

9   Q   Okay.   The cost sheet in mail floor models

10   show that the mixed AADC mail starts in the outgoing

11   secondary sort operation.   Is that correct?

12   A   That's correct.

13   Q   Okay.   Then some AADC mail then moves onto

14   the auto incoming MMP?

15   A   Yes.

16   Q   Some to the auto incoming primary?

17   A   Yes.

18   Q   Ultimately to the incoming secondary sort

19   operations --

20   A   That's correct.

21   Q   -- is that correct?

22   A   Yeah.

23   Q   Okay.   Can you please describe how the mail

24   trays are moved from one sort operation to the next?

25   A   In generally we have the rolling stock that

1   we employ and that's the way the mail moves from one

2   operation to another.

3   Q   Okay. How are the trays of mail put in the

4   rolling stock?

5   A   By trays.

6   Q   Okay. For simplicity's sake some mail

7   handler picks up the tray off one of the sort

8   operations --

9   A   Right.

10   Q   -- in your example then places it in the

11   rolling stock --

12   A   Yes.

13   Q   -- and then moves the rolling stock from one

14   area of the plant to the other for the next sort

15   operation.

16   A   Right. Right.

17   Q   Okay. Well, now then let's look at AADC

18   mail.

19   A   Okay.

20   Q   The cost sheets and mail flow models. They

21   are on pages 6 and 7.

22   A   Uh-huh.

23   Q   Here the cost sheet and mail flow models for

24   AADC mail show that it starts in the incoming MMP sort

25   operation. Is that correct?

1   A   Right.

2   Q   Okay.   Then the AADC mail then goes here to

3   the auto incoming primaries and then ultimately the

4   incoming secondaries.

5   A   Right.

6   Q   Okay.   So based on the cost sheet and the

7   mail flow models that you submitted AADC mail bypasses

8   the outgoing secondary sort operation.   Is that

9   correct?

10   A   That's correct.

11   Q   Okay.   Therefore the AADC mail must

12   therefore also avoid the costs of moving the trays

13   between those sort operations.   Isn't that right?

14   A   Say that again, please?

15   Q   Well, if the trays of AADC mail avoid the

16   initial sort operation --

17   A   Uh-huh.

18   Q   -- so, too, must they avoid the costs

19   associated with the mail handler picking up the tray

20   from the first sort operation, putting it in the

21   rolling stock as you described and moving it in the

22   plant to the next sort operation?

23   A   Right.

24   Q   Okay.   So moving on look now at three digit

25   mail, please, and they are at pages 8 and 9.

1   A   Okay.

2   Q   Here, again, we see that three digit mail

3   when we look on the cost sheet or the mail flow model

4   starts at the incoming primary sort. Is that correct?

5   A   That's correct.

6   Q   Okay. So the three digit mail trays in fact

7   bypass the outgoing secondary, the incoming MMP and

8   both of those sort of operations. Isn't that right?

9   A   That's correct.

10   Q   Okay. Finally then let's look at the five

11   digit mail, pages 10 and 11.

12   A   Uh-huh.

13   Q   We can see there that the five digit mail

14   trays start at the very bottom at the incoming

15   secondaries.

16   A   That's correct.

17   Q   Okay. So five digit mail trays bypass all

18   of the other sort operations and by extension then

19   avoid the costs of moving mail between all of those

20   other sort operations wouldn't you agree?

21   A   That's correct. Yes.

22   Q   Okay. So then given that's the case isn't

23   it also the case that the costs associated with moving

24   the mail from one sort operation to the next are

25   really proportional based on the presort level of the

1   mail trays?

2   A   Well, if you are talking about dispatch cost

3   pool -- that's the way the discussion is, right?

4   Q   Yes.

5   A   Okay. You have to go through the definition

6   of dispatch cost pool because when I look at a cost

7   pool I can't just say that this cost pool has to be

8   moved from text to operation, or from proportion, or

9   proportion to text. It has to comply with the mail

10   flow model. It's not something, you know, judgmental

11   that I can decide this should move, this should move.

12   So let's look at the definition of dispatch,

13   and then when we see that, we can say if that

14   operation actually takes place within the piece

15   handling or bundle handling. That's the way I look at

16   the cost pools. So I will give you the definition of

17   platform cost pool. The platform cost pool contains

18   the costs related to platform operations performed by

19   postal dock workers.

20   Q   Now is that platform or is that dispatch and

21   one OP TRANS?

22   A   Okay. Was that platform or what?

23   Q   I think we should be looking at one dispatch

24   and one OP TRANS.

25   A   Okay. Let me look at dispatch. I have the

1   OP TRANS. This cost pool contains the costs related

2   to transporting containers of mail between work areas.

3   Q   Okay.

4   A   So that's what OP TRANS is. Too many cost

5   pools to keep track. Dispatch cost pool contains the

6   costs related to preparing mail for dispatch, removing

7   trays from tray management system and moving equipment

8   into the unit in all facilities.

9   Q   Okay.

10   A   Yeah.

11   Q   So, and again, for dispatch where you're

12   moving the trays from a TMS system where your example

13   was you take a tray off one sort operation and put it

14   in rolling stock and it moves to the next sort

15   operation, but it could just as easily couldn't it be

16   a tray that's taken off one sort operation, put on a

17   TMS system to be sent to another part of the plant for

18   a different sort operation?

19   So that's what the dispatch would address

20   and the OP TRANS MODS pool addresses the cost of

21   moving the mail trays from one part of the plant to

22   the other.

23   A   That's correct.

24   Q   Yet both of those cost pools as you have

25   classified them are classified as fixed, but yet when

1   we walk through the cost sheets and we walk through

2   the mail flow models we can see that based on the

3   presort level of the mail in those trays they're

4   treated very differently and therefore the costs must

5   also be different for those at a presort level?

6   A   Well, I also said in one of the responses

7   that I have never studied the fixed cost pools, and I

8   also stated that they're combined within the presort.

9   As far as the mail flow model is concerned I'm only

10 looking at piece and bundle handling.

11   Q   Okay. Let me take you back for a second

12 just to make sure I understand you then.

13   A   Okay.

14   Q   Where did you say that cost pools that are

15 classified as fixed could also vary based on their

16 presort level?

17   A   Well, if you look at MMA/USPS-T22-36 I'll

18 read the question and then give you the response. It

19 is a long question, but says please refer to response

20 to interrogatory MMA/USPS-T22-1 where you did not

21 confirm that the fixed cost pools which you state are

22 the only scope of your models do not vary near the

23 level to which mail is presorted. Then it says please

24 provide a list of your fixed cost pools that could

25 vary based upon the degree of presort.

1   (b) says for each cost pool listed in the

2   response to part (a) please provide your reasons as to

3   why those cost pools could vary the degree of presort.

4   Then (c), but just to read the response I said the

5   fixed cost pools to prevent tasks that have not been

6   modeled it's possible that some costs would in those

7   cost pools vary for mail of different presort levels,

8   but I have not studied them.

9   Q   Okay. So you're simply confirming then that

10   you didn't model those costs that you classified as

11   fixed, but you're acknowledging the fact that they may

12   very well vary by presort level? They may in fact be

13   proportional based on their presort level, you just

14   didn't model them?

15   A   Yeah. They're not part of my model. That's

16   what I'm saying here.

17   Q   Okay. Then I think back to the central

18   point here, and if you didn't model them then those

19   cost differences between presort levels are not part

20   of the modeled cost between presort levels for first-

21   class letter mail?

22   A   That's correct.

23   Q   Okay. Let's then look at another example.

24   In this case an example of a support cost pool --

25   A   Okay.

1   Q   -- if we could.

2   A   Which one is that, please?

3   Q   Well, what I'd like to look at in particular

4   is MODS 99-1 Supp. F-1 which contains general mail

5   processing support operations. Before we get to the

6   specific example I'd like just to spend a moment

7   thinking about the level of work required based on the

8   presort level.

9   A   Okay.

10   Q   Would you agree -- and for purposes of this

11   example we'll used mixed AADC mail -- that less

12   presorted mail, mixed AADC mail, takes more time on a

13   unit basis to sort than more finely presorted mail,

14   for example five digit mail?

15   A   Yes.

16   Q   Okay. Would you also agree that less

17   presorted mail generally speaking requires more mail

18   processing work hours on a unit basis because it takes

19   more time?

20   A   Yes, but there's always exception to the

21   rule. There could be reasons why the final presorted

22   mail sometimes could be more expensive than mixed AADC

23   mail. So there could be reasons, but in general I

24   would agree that. Yes.

25   Q   Generally speaking then you agree that less

1   presorted mail requires more mail processing work

2   hours. Then wouldn't you also agree that more mail

3   processing work hours requires more mail handlers

4   working in mail processing operations?

5   A   Could you repeat that question, please?

6   Q   Well, if the less finely presorted mail

7   takes more time and therefore requires more work hours

8   to process that mail that in fact you'll need more

9   mail handlers processing that mail?

10   A   Well, I will concede the fact that manual is

11   the most expensive. If mail goes to the manual

12   operation it's more costly.

13   Q   Okay. I agree with that, but that's not

14   exactly what I'm asking. Even if you're looking at an

15   automation mail stream because of the presort level as

16   you just acknowledged mixed AADC mail for example

17   takes more time to process than five digit mail. As

18   we just went through the mail flow models it goes

19   through different operations that five digit mail

20   avoids for example.

21   A   Yes.

22   Q   Therefore if it takes more time it requires

23   more work hours, right? I mean, that's how we're

24   measuring time here.

25   A   Yes.

1 Q If we have more work hours we then need more

2 mail handlers, more people working to process that

3 mail?

4 A Yes.

5 Q Okay. With that in mind then I'd like to

6 turn to the example of a support cost pool that's

7 currently classified as fixed, but that in fact varies

8 with respect to presort level.

9 A Okay.

10 Q Specifically, again, the cost pool we're

11 going to focus on is the MODS 99-1 Supp. F-1 which

12 contains mail process support operations as confirmed

13 by USPS Witness McCrery in response to PB/USPS-T22-

14 9(g) which you redirected to Witness McCrery --

15 A Yes.

16 Q -- and in response to PB/USPS-T42-12(c).

17 A Was that (g) you said?

18 Q It's 9(g), the redirected interrogatory, and

19 then the PB/USPS-T42-12(c).

20 A Yes.

21 Q In particular if you refer to PB/USPS-T22-

22 12(c) as redirected --

23 A Uh-huh.

24 Q -- Witness McCrery confirmed that the MODS

25 99-1 Supp. F-1 consists in part of activities

1   associated with MODS Pool 630, which is a meeting time

2   is the MODS Pool 630. The meeting time MODS pool

3   captures the time required for work outs for mail

4   processing employees who are in meetings or other

5   authorized conferences, or hearings and so forth,

6   okay?

7   So doesn't it follow then that the more mail

8   processing employees you have the more employee hours

9   will be spent in meetings? For purposes of that maybe

10   a hypothetical is useful.

11   If you think about two different plants,

12   Plant A which processes only less finely presorted

13   mail, mixed AADC mail, and Plant B which processes

14   only five digit mail, and for purposes of the

15   hypothetical because mixed AADC mail takes more time

16   to process so more mail handlers are required we'll

17   assume that Plant A has 100 mail handling employees

18   and Plant B with the five digit mail has only 50

19   employees and if we further assume that both plants

20   are going to have a one hour meeting, it's an all

21   hands meeting, all of the mail handling employees are

22   required to attend, that the total work hours for

23   Plant A would be 100 employee work hours because they

24   have 100 people who spend one hour in the meeting

25   whereas for Plant B you would have only 50 employee

1   work hours, 50 employees who spend one hour, will you

2   agree with that?

3   A   What I'm a little bit confused is that the

4   one support cost pool, when I was classifying them I

5   look at it as it has something to do with piece

6   handling, bundle handling. If it did not it went to

7   the fixed. I also said that some of the fixed cost

8   pools could vary in the presort, but as far as the

9   hypothetical is concerned I can't, you know, go to the

10 number of employees required to perform five digit or

11 mixed AADC. I haven't done that study.

12   Q   Right. That's not a study, it's just for

13 purposes of illustration.

14   A   Right. Right.

15   Q   It's a simple model here. I guess what I'm

16 really getting at is I understand that you didn't

17 model the costs --

18   A   Right.

19   Q   -- but the fact that you didn't model them

20 doesn't mean that they don't in fact vary with respect

21 to presort level?

22   A   I said that.

23   Q   Right. I know that you did. The other

24 consequence here is if you didn't model them then the

25 cost differences associated with those cost pools if

1   there are cost differences among rate categories

2   within first-class presort mail those differences are

3   not captured in the modeled costs?

4   A   Yes. I would agree with that. Yes.

5   Q   So whether we're talking about the meeting

6   time support cost pool or other mail processing

7   support activities what I'm really getting at at a

8   general level is if it's the case that less finely

9   presorted mail takes more time and therefore requires

10   more people to do it will not in fact though support

11   activities that are determined by the number of

12   employees also vary with respect to presort level

13   generally speaking.

14   A   Again, I would say that I cannot

15   specifically -- I haven't studied the fixed cost pools

16   and in one note support if one cost pool -- I can't

17   say whether that could be a presort or not, impact

18   presort. All I'm saying is that all fixed cost pools

19   could vary in the presort, but I haven't studied it.

20   Q   Okay. I understand. Thank you for that,

21   but let's move on to a third and final example.

22   A   Okay.

23   Q   Having reviewed operation cost pools and

24   support cost pools that are classified as fixed, but

25   which as you acknowledge may in fact vary with the

1   presort level let's look at what we're going to call

2   an anonymous cost pool, an anonymous cost pool that is

3   currently classified as fixed, but that does in fact

4   vary with respect to presort level.

5   Let me just back up here. For purposes of

6   discussion here when I'm referring to an anonymous

7   cost pool I'm referring to a cost pool where there are

8   letter costs, where you find letter costs, but those

9   costs are unexpected, unexpected because of the shape,

10   because of the class or because of the facility.

11   I think what I'd like to do is look at those

12   where you're finding presort first-class letter costs

13   in an operation as to nonletter mail processing

14   operations, so you wouldn't expect to find it there

15   and specifically if you look at page 3 of LRL-48, the

16   handout that I provided there, and you refer to MODS

17   12 cost pool FSM 100 and FSM 1,000 toward the bottom

18   of the page.

19   A   That was the Form LR-48, right? Okay.

20   Q   Yes.

21   A   Page 3?

22   Q   Yes.

23   A   Okay.

24   Q   The MODS 12 FSM 100 and MODS 12 FSM 1,000

25   cost pools.

1   A   Yes.

2   Q   Now, both of these cost pools address the

3   distribution of flats mail using flats mail processing

4   equipment. Isn't that right?

5   A   Yes.

6   Q   Okay. Yet in MODS 12 FSM 100, the cost

7   pool, your worksheet shows a fixed cost of .010 cents

8   for first-class presort letters?

9   A   Yes. That's correct.

10   Q   Okay. Then if we refer to MODS 12 FSM 1,000

11   here, again, the worksheet shows a fixed cost of .006

12   cents for first-class presort letters. Isn't that

13   correct?

14   A   Yes.

15   Q   Okay. Maybe just to pause here and talk

16   about what's happening there when we look at this

17   we're thinking about the IOCS tallies and the fact

18   that IOCS handling tallies record the mail actually

19   being handled by an employee rather than the mail

20   expected to be handled in a given operation. Would

21   you agree with that?

22   A   I'm not sure. Not IOCS with the sorter.

23   I'm not really familiar how they do the tallies.

24   Q   Okay. Subject to check and consistent with

25   other Postal Service witnesses who have testified

1   about the IOCS cost system when the IOCS comes to take

2   a tally of a mail handler what they look at is the

3   mail piece in their hand, not the operation that they

4   happen to be in?

5   A   Subject to check. Yes.

6   Q   Okay. Given that's the case when you find

7   first-class presort letter mail costs in for example a

8   flat sorting operation you really have one of two

9   different circumstances that could present themselves.

10   Either the mail handler is in fact handling a first-

11   class presort letter in a flats operation, right --

12   A   Uh-huh.

13   Q   -- or alternatively, again, the mail piece

14   in their hand which is the base of the IOCS tally is

15   in fact a first-class presort letter, but they've

16   misclocked themselves? In fact they're clocked into a

17   flat sorting operation, but they shouldn't be?

18   A   Yeah. That could be a possibility.

19   Q   Okay. I mean, those are the two

20   possibilities I think, and so in either case however

21   whichever of those two it is the mail processing costs

22   are for sorting a letter. That's what the IOCS

23   auditor found in the mail handler's hand, right? I

24   mean, they're handling a letter.

25   So the costs are letter costs and therefore

1   like all other letter piece handling costs those costs

2   should be modeled as proportional?

3   A   FSM 100 and FSM 1,000, they deal with flats,

4   so when I was looking at my own formation model, not a

5   letter model, so I made sure that that's something I

6   was sure was not improportional because that is a flat

7   piece. So that's why I classified fixed.

8   Q   Okay. It's not in fact a flat piece. It is

9   a flats operation, but there's a first-class presort

10   letter piece that's being handled there and that's why

11   the costs are admittedly small, but the costs are

12   there. Those costs are for mail handling letter costs

13   as reflected in your own worksheet.

14   A   That's why I classified them fixed. Let me

15   also add that the cost pools themselves, and it's an

16   input to my model, there's a Witness Smith who I get

17   this input and the only thing I do is classify them.

18   So if I see through the cost pool through the mail

19   flow model there's no part of my mail flow model where

20   it has any flat processing, so that's why I classified

21   it as a fixed cost pool.

22   Q   Okay. I understand. I think the final

23   point there is that, again, these cost pools, the

24   support cost pools and the operations cost pools,

25   because they're classified as fixed, because you've

1   classified them as fixed cost pools that has two

2   consequences: (1) it means that you didn't model the

3   actual costs, right --

4   A   Correct.

5   Q   -- and (2) it means that under your

6   methodology that those costs cannot affect the

7   differences between rate categories within first-class

8   presort letter mail. Isn't that correct?

9   A   Could you repeat the second question? The

10   second part?

11   Q   Sure. The second part is simply saying

12   under your methodology only the costs that you've

13   modeled can affect the differences between rate

14   categories within first-class presort letter mail,

15   correct?

16   A   Well, the fact that I've said that I have

17   not modeled all the mail processing costs and then I

18   used CRA adjustment factor which is to account for the

19   fact that some mail processing was not modeled and it

20   was just a simple representation of reality, so yes,

21   in that case some of these cost pools I classified on

22   fixed does not affect one of the intervenors, I

23   believe it's ABA, and if you had asked me to remove

24   all six cost pools, the last case, and put them all in

25   the proportional and I think one of the responses you

1   have the impact.

2   Even if you do that the impact is very

3   minimum. That's not what I do. What I do basically

4   is look at mail flow model and look what goes through

5   the mail processing machines, the letters, and then

6   from there on I come to the cost pool classifications

7   and then classify it.

8   Q   I understand. Setting aside the CRA

9   adjustments, simply looking at the model costs --

10   A   Yes.

11   Q   -- the only thing I'm trying to get at here

12   is if you didn't model them they can't form the basis

13   of a difference between rate categories within presort

14   letter mail?

15   A   Yes. I said that. Yes. I did say that.

16   MR. SCANLON: No further questions.

17   CHAIRMAN OMAS: Thank you, Mr. Scanlon.

18   Is there anyone else in the hearing room who

19   would like to follow-up on any cross-examination?

20   (No response.)

21   CHAIRMAN OMAS: Are there questions from the

22   bench?

23   (No response.)

24   CHAIRMAN OMAS: There seems to be none.

25   Ms. McKenzie, would you like time with your

1   witness?

2   MS. MCKENZIE: Five minutes, please, Mr.

3   Chairman.

4   CHAIRMAN OMAS: All right. Give you five

5   minutes. We'll come back at 20 after.

6   (Whereupon, a short recess was taken.)

7   CHAIRMAN OMAS: Ms. McKenzie?

8   MS. MCKENZIE: Mr. Chairman, the Postal

9   Service has no redirect.

10   CHAIRMAN OMAS: Thank you, Ms. McKenzie.

11   Mr. Abdirahman, that completes your

12   testimony here today. We do appreciate your

13   appearance and your contribution to the record. We

14   thank you for your appearance and you are now excused.

15   THE WITNESS: Thank you.

16   (Witness excused.)

17   CHAIRMAN OMAS: This concludes today's

18   hearings. We will reconvene tomorrow morning at 9:30

19   a.m. when we will receive testimony from Postal

20   Service witnesses Nieto, Bradley, Mayes and Kiefer.

21   Thank you, and have a nice afternoon.

22   (Whereupon, at 12:21 p.m., the hearing in

23   the above-entitled matter was adjourned, to reconvene

24   on Tuesday, August 8, 2006, at 9:30 a.m.)

25   //

REPORTER'S CERTIFICATE

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CASE TITLE: Postal Rate and Fee Changes

HEARING DATE: 8/7/06

LOCATION: Washington DC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Rate Commission

Date: 8/7/06

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